433, 162, 464, 439
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Egypt	MR1
Turkey	MB1
Iraq	MH1
● Syria	MD1
Lebanon	ME1
Historical Palestine	MF2
Israel	MF1

/For an account of the economic effects of industrialization after World War II and information on industrial output in countries of the Middle East, see 66: Bonne, M1 Middle East, category 116 as follows: Egypt - pp. 293-298, p. 309, Turkey - pp. 298-300, 307-308, Syria and Lebanon - pp. 300-302, 309-310, Palestine - pp. 302-304, Israel - pp. 310-311./

185, 433, 654

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Egypt	MR1
Turkey	MB1
Iraq	MH1
●Syria	MD1
Lebanon	ME1
Historical Palestine	MF2

/For an account of the program of industrialization in countries of the Middle East after World War I up to 1945, see 66: Bonné, M1 Middle East, category 116 as follows: Turkey - pp. 274-284, Egypt - pp. 285-286, Iraq - pp. 287-289, Palestine - 289-290, Syria and Lebanon - pp. 290-291./

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Syria MD1

[For information on the topography, climate, agriculture and commercial crops, irrigation, stock raising, natural resources, production and supply, waterways, railways, and roads of the valleys of the Tigris and Euphrates between the plateau of Asia Minor and the Persian Gulf, discussed as one geographical unit, rather than by political boundary, see, Ml Middle East, cat. 116, 21: Fisher, pp. 340-370.]

[For information on the topography, climate, agriculture, mineral wealth, railways, settlement pattern, productive capacity of the economy, and trade of the Levant coastland, see Ml Middle East, cat. 116, 21: Fisher, pp. 371-414.]

[For information on the topography, occupations and relative productivity of the desert plateau, and of the Arabian Peninsula as a whole, see Ml Middle East, cat. 116, 21:Fisher, pp. 427-449.]

5:Barakat S-5 (no date)1954 MDl Syria MDl

RECENT ECONOMIC DEVELOPMENT IN SYRIA

AWAD BARAKAT *

Introduction

433 1. Despite the great potentialities that lie in her fertile soil, the nature of her climate, the energy of her people and her geographical position, Syria is an economically underdeveloped country. Perhaps it would be more accurate to use the term *not fully developed* to describe Syria's present situation, particularly in view of the economic awakening which began after World War II and has continued to grow up to the present day.

000 2. Admitted that the economic development of any country cannot be undertaken without individual as well as governmental effort, we nevertheless intend to restrict our examination of the economic development of Syria to the part played by the government. The reasons for this restriction are: limitations of space do not allow a full analytical treatment of both individual and governmental efforts; statistics on governmental activities are far fuller and more reliable than any as yet available for private concerns; finally we believe that in a country like Syria, where private capital is inadequate and the investment habit not yet deeply rooted, economic development must depend to a very large extent upon the government. Indeed we would go so far as to say that unless the government is able to assume control of economic development and is willing to bear the greater part of the burden, little improvement can take place. Part of the government's job will be to create the conditions, lacking until now which will encourage individual efforts and investment.

3. Underdeveloped countries, generally speaking, have certain conditions in common, the most characteristic being the following: partial exploitation of natural resources and neglect of possibilities of growth: low national production and national income, resulting in weak purchasing power, low national savings and shortage of investment capital; a deficit in the balance of trade

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The Syrian economy in 1945 was distinguished by its relatively low 433 ●
production of a generally poor quality. It lay in a state of decadence and stagnation that could only have been remedied by energetic action by the authorities in power. It was a virgin country waiting for people willing to work hard to develop its resources in the fields of agriculture, industry and commerce.

Agriculture in Syria occupies first place, whether considered 433
from the point of view of production or the number of those who 241
earn a living from it. It produces the largest part of the country's exports and supplies the national industries with raw materials. But, despite its preponderance over other economic activities farmers remained up to 1945 dependent on ancient methods, and were ignorant of such modern techniques as the use of machines and fertilizers. Syrian agriculture suffered helplessly from the crop rotation system, from natural pests, insects and diseases, from rain variations and the unscrupulousness of money lenders.

As to industry, it was in its infancy, still feeling its way and 433
lacking encouragement, protection, adequate studies, knowledge and experience.

Nor was commerce in a better situation than agriculture and in- 439
dustry. During the second world war, Syrian trade lost its relations 457
with many of the belligerent countries, and emerged from the war crippled and hampered by the restrictions of exchange control. In addition, the direction of Syrian commerce was not in the hands of Syrian nationals; the larger part of foreign trade, both exports and imports, was handled through Beirut. As a result Syrian merchants lost direct touch with countries abroad and Syria became in effect an internal market dealing in retail with neighbouring markets. Commercial agencies were in the hands of non-Syrians up to the extent of 95 per cent of the total. To complete the picture we should mention that a large part of banking operations with foreign countries took place in banks situated outside Syria, and that the purchase and sale of foreign exchange accruing to Syria was effected in the Beirut market. To conclude, control of Syrian external trade was in non-Syrian hands and the Syrian economy, in consequence, was forced to lose large sums in the form of expenses, commissions, and profits which were paid abroad for mediation in purchase and sale transactions.

14. During the period under discussion the Syrian Govern- 185
ment exercised great effort with satisfactory results; it made a be-

has started the construction of a road which is not yet finished, but 311
which permits trucks to reach Deirik in all seasons. Farmers flowed [166]
into the region following the opening of the road and began populating it. 491
The present Minister of National Economy, Munir Diab, and
Mr. Amin Nazif, formerly Secretary General of the Ministry of agriculture, own lands in the region.

c. Volume of Seeds and Crops

The main dry farming crop in Jazirah is wheat with "black" barley a poor second. $24\frac{2}{6}$ It is estimated that about 50-60,000 tons of wheat $43\frac{2}{8}$ ● are planted every year and some five thousand tons of barley. The average yield of wheat is 6-7 times per unit planted which gives a yearly crop of some 350-400,000 tons, of this quantity, 85-100,000 tons are needed for local consumption and for seed. This leaves about 250-300,000 tons available for export in an average year. Calculating this quantity at the price of LS 170 in the field free of all expenses, it means a revenue of LS 51 million per year to Jazirah with seeds and provisions already accounted for or about LS 250 per capita.

d. Difficulties in the Way of Agricultural Development

Agriculture in Jazirah suffers from many obstacles and hindrances 185
which the Government can remedy with some careful thought and 654
planning. The difficulties connected with land ownership and tenure and with credit and transport will be discussed separately, but other obstacles will be mentioned here below:

1. There is no agricultural station in the important wheat growing centers of Jazirah to record the amount of rainfall and the mean temperatures to guide the farmers.

2. The Jazirah is subject in most years to a heat wave during the [132]
month of May which destroys 25-35% of the crop. The only remedy is to introduce strains of wheat which mature before the period of the heat wave. Although the problem and the remedy are known to the Government, no effort has yet been made either to import new

when the wheat crop fails, as it did last year, there is great hardship 243
in all of the Jazirah. Debts remain largely unpaid, the value 511
of land falls off sharply, and interest rates become unbearable

The failure of a crop in Jazirah brings more hardship than is 454
the case in other Mohafazas because Jazirah, with all the money
revenue which accrues to it in a good year, has not arrived yet at
the stage where it can save a part of this income to use in bad
years. All the money revenue is immediately reinvested in machinery
and in expansion of the area planted with additonal sums borrowed
from the banks or from Aleppo merchants.

The point is reached where further expansion has become difficult, and the situation will become more or less stabilized so that some of the income will be put aside for emergencies in the coming few years. But even when savings reach a high figure, the problem of monoculture is not solved.

Jazirah at present does not produce the necessary vegetables 511
and fruit for its own consumption. It imports them from Aleppo, 241
Homs and Damascus. That is why the cost of living in the town 438
of the Jazirah is one of the highest in Syria. Aside from the price
of meat and samneh, everything including room and house rents,
is more expensive than in the other big towns of Syria. Even flour
is sold to bakers by the town municipalities at the same price for
which it is sold in Damascus.

In former times, however, Jazirah produced great amounts of 433
fruit, vegetables and dairy products. Its lands are very well suited 241
to raising cattle and beef, an employment more profitable than
wheat growing. A diversification in the use of land will make for 454
a more balanced and prosperous economy in Jazirah. But the Jazirah
farmers are not to be blamed entirely for the kind of agriculture
prevailing. Circumstances beyond their control, connected
primarily with the problems of land ownership and tenure, have
largely imposed this type of monoculture upon them. These problems
will be discussed in the following section, but it can be said
in passing that the farmer cannot be expected to invest money in
buildings for cattle raising, or in digging wells to provide irrigation
for vegetable growing, or in planting orchards on lands to which he
has no title or whose title is subject to constant disputes over boundaries
with the neighbors and lately by decree-law 96 with the State.

423 471 The large holdings are owned by the Agha of Koshar around Deirik, the Sheiks of Shammar from Tal Koshak to Kubur el Bid and south to the Rad, the Sheik of Tay and several of Tay subdivision chiefs, Asfar-Najjar family of Qamishli, the Aghas of the Kurdish tribes (three in number), and two Sheiks of the Jubur. This list is not exhaustive but it is true that not more than fifty individuals in Jazirah have holdings of more than 5,000 hectares each. And since the great majority of them are tribal chiefs, the logical solution is to ask them to distribute these lands according to the laws in force since the Ottoman rule. No new legislation is necessary to fulfill the two aims of distribution of the public domain to needy peasants and the division of the big estates.

Such a solution will not mean that every estate will be only 1500 dunums but it will mean that perhaps 80% of Jazirah will be in holdings approximating 1500 dunums and some 20% in holdings of 10,000-15,000 dunums for tractor cultivation.

C. Shortcomings of the Decree

423 656 433 The basic defect of decree 96 is that it erred in diagnosing the real problem of land ownership in Syria. As the United Nations Economic Survey Mission for the Middle East aptly described the situation (part I page 34), "In the Middle East, most of the population--perhaps as much as 90%--lives virtually on the margin of subsistence. But while maldistribution of income obstructs economic progress in a variety of ways, it is secondary to the basic problem in each country of grossly inadequate output in relation to the total population. This is the central fact of economic life in the Middle East." Thus the real problem facing the Government in Jazirah is not that a few people own large tracts of land (though some of them do and should be controlled), but whether the present type of cultivation is not working for a better national economy than small holdings will be able to do.

This criticism of decree 96 does not mean that land abuses do not exist in Jazirah. Undoubtedly they do. But it is a long way between admitting this and trying to correct it by dividing the land indiscriminately into 1500 dunum lots.

The shortcomings of decree law 96 are numerous and without discussing them in detail since the law is being amended, it is necessary to recognize some of them.

423 656 433 In the first place, the law amounts in fact to confiscation of property because it arbitrarily abolishes rights of individuals gained over the land through the normal processes of established law.

Secondly, it allows a uniform area for every farmer whether he uses tractor or mule, and whether he allows dry cultivation in Jazirah or irrigated farming in the Euphrates or the Khabur. It is evident that an irrigated area of 1500 dunums is more than adequate even for a large farmer while the same area is too small for tractor dry farming.

Thirdly, the confiscatory provisions of the law are not limited to lands recently acquired from the public domain, but cover lands for which deeds have been in the hands of the owners for decades. Decree 96 achieves this by reversing the stipulations of the preceding laws and by stating that in unsurveyed lands every title should be limited by the area mentioned in it and not by the boundaries.

Fourthly, if social justice is the aim, why should the law be limited to control of the ownership of land and not extended to control commercial and industrial property as well as real estate in cities and cash money? Further, how can the law treat on the same basis five hundred dunums planted to orchards or olive trees and a neighboring area of the same dimensions planted to wheat?

V. Land Ownership Along the Khabur

471 There is more concentration of land ownership along the Khabur that in theother parts of Jazirah, though the concentration is less apparent because the cultivable lands are smaller.

In the north, around Ras el Ain, the Shashan tribe dominated the country. South of them are the Assyrian holdings. Around Hassakeh, some Christians have bought lands from the Juburs, but south of the town and down to Shaddadah, the Jubur Chiefs of the Milhem family own or control both banks of the river. They own all the naqourahs and work their lands by renting it to the members of their tribe on conditions described in the next chapter. One hardly finds a Jubur who is not of the Milhem, or a stranger from inside Syria, who owns property in the Jubur region of the Khabur.

Lately, the Milhem have begun renting land to irrigation projects by pumps. But unlike the Kurds and Tay people of upper Jazirah, the Milhem have never agreed to enter into partnership for the ownership of land.

000 162 eastwards into the desert. At present the bulk of the population is concentrated in a comparatively small part of the total area of the country; it is mainly in the West and in the river valleys of the Jazirah. The density of population is greatest on the coast and round Damascus and Aleppo.

241 The crops which are grown or could be grown vary greatly from district to district, in accordance with variations in climate and the soil's fertility. The Jazirah, the great plain of Homs and Hama, the Biqa' and the Hauran produce wheat, and to a lesser extent maize, barley and other cereals. Olives, vines and other fruits are grown on the coastal plains and the westward slopes of the coastal ranges; tobacco in Lebanon and around Latakia; cotton also around Latakia, and in the Biqa'. Some districts are well watered by springs, summer streams and perennial rivers, and some, in the north more than in the south and on the coast rather than inland, enjoy an adequate rainfall; but the fertility of almost all parts of the country could be much increased were its water-resources to be properly exploited. The Orontes in the north, the Litani in the south, the Euphrates and its tributaries in the north-east and other rivers could be used to irrigate perhaps half a million more hectares than are irrigated to-day. The rainfall could be more fully utilized, and the agricultural situation improved in various other ways, by systematic reafforestation, to make up for the bad effects of neglect in the past. Under French rule a little has been done to this end, but more remains to be done.

135 The mineral resources of Syria and Lebanon have not yet been thoroughly investigated but are probably not extensive. Salt and some other minerals exist in quantities sufficient to supply the country's own needs; but iron and other requisites of industry are found only in small quantities or else not at all. In recent years there have been reports of the discovery of oil in the Jazirah, but whatever oilfields exist are not yet being exploited.

433 241 In normal years the country's production of food equals and often exceeds its consumption, although the inadequacy of internal communications and other factors make necessary a certain importation of agricultural products from the neighbouring countries. Improvements in the quality of seeds and livestock and the modernization of agricultural methods have already begun, and greatly help in increasing production.

11: Hourani S-4 (no date) 1946 MD1 Syria MDI

production. A reform in the system of land-tenure would 000
also help. In some parts of Lebanon small free-holdings are 423
to be found, but in Syria large estates are the rule, and
'métayage' is perhaps the most common form of tenancy.
The 'musha'' system of communal ownership, under which
holdings are periodically re-distributed, is also widespread.
In the past twenty years the Mandatory authorities have made
progress with land-survey and the settlement of title, and
with the division of lands held under the 'musha'' system
But greater tasks remain. Large tracts of the country are 433
still in the possession of a small number of landowners, who 185
for the most part are not interested in improving either the 241
productivity of their lands or the standard of living of the
workers. The creation of a free peasantry, by the breakup
of the large estates and the appropriate use of the vast
state-domains, is still in the future. The facilities for agricultural
credit are very inadequate; there are practically,
no co-operatives and very few agricultural banks, and in
consequence the peasant is in the clutches of the moneylender.
The tax-system is regressive and weighs heavily upon
the cultivator.

A special problem is created by the Beduin, of whom 619
there are over half a million. Their economic function is 233
the breeding of camels in the steppes and desert regions where 221
agriculture is impossible. They are divided into tribes of 167
which the most important are the various Anazah tribes—
the Ruwala, the Feddan, and the Sba—in the steppe and
desert south and west of the Euphrates, and the Shammar in
the Jazirah. Traditionally contemptuous of the settled
population and of all government, in the past they have been
a serious obstacle to agriculture; but during the last two
generations or so the Government has made a serious attempt
to control their wanderings, and to prevent their raiding each
other and the settled regions, while allowing them to preserve
their tribal law and organization. At the same time their
economic position is being undermined by the decline in the
demand for camels. This makes it the easier to induce them
to settle on the land. In the Jazirah, in the Hauran and 221
elsewhere tribes can be found which are abandoning the 621
wandering life. They take to breeding sheep as well as camels 221
and become semi-sedentary; then they begin to cultivate the 619
land and in time become wholly sedentary, thus continuing

617 that process which has been going on since the beginning of
221 history. But in the steppe and desert country where pasturing
621 is possible and cultivation impossible, the Beduin still have an important part to play.

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162 Approximately one-third of the population lives in towns.
361 There are three towns, Beirut, Damascus and Aleppo, with between 200,000 and 300,000 inhabitants each; five others—Homs, Hama, Tripoli, Latakia and Dair az-Zur—with between 20,000 and 100,000. The inhabitants are mainly occupied in commerce and industry.

433 The structure of industry is changing more rapidly than that of agriculture. A two-fold change is taking place. On the one hand, the traditional textile, metal and other industries, which used to supply the needs of a great part of Ottoman Asia and the Arabian peninsula, are being killed by the Westernization of taste and by the competition of cheap Western and Japanese goods. On the other, modern industries are slowly being created, especially in the three principal towns, Damascus, Aleppo and Beirut. Their development has been hampered by paucity of raw materials, the scarcity of capital and to a lesser extent of technical skill, competition from Europe, America and lately from Japan, the smallness of the internal and the absence of an external market. The modern industrial equipment of the country is still confined to a small number of factories for foodstuffs, textile goods and certain other products for the internal market. The silk industry of Lebanon, which was important until it was overwhelmed by foreign competition and the introduction of artificial silk, has had a partial revival during the last few years.

501 Not only the industrial but the whole economic development of the country is handicapped by inadequate communications. There is only one modern port, Beirut, which has been developed by French capital and enterprise, and through which flows the bulk of the country's external trade. Tripoli is important as the terminus of one branch of the oil pipe-line from Iraq, but it does not yet possess adequate harbour-
496 works; Latakia is small and undeveloped. The railway system, mainly built and administered by a French concessionary company, includes only a little over a thousand
487 kilometres of track. Passengers and goods are carried

mainly by motor-car. The trunk-roads, built for the most 451 part since the establishment of French rule, are good, local roads 491 satisfactory in summer but often very bad in winter; motor transport across the desert to Iraq is well organized by private companies. A trans-desert railway has been planned but not built. There are several civil airports.

The defective financial system is a further obstacle to 452 economic development. Credit facilities are inadequate; 434 foreign capital has been invested in public utilities but not 436 in industry; long-term investment and constructive enterprise have been discouraged by the instability of the currency. Since 1924 the legal currency of the country has been the Syro-Lebanese paper pound, issued by the concessionary Banque de Syrie et du Grand Liban, of which the ownership is mainly French. It is a franc-exchange currency, one pound being equivalent to twenty francs; and it therefore shared in the fluctuations of the franc. In 1941, after the invasion of Syria and Lebanon by the Allied forces, it was officially linked to sterling. As an unstable and a paper currency, it has never won the confidence of the bulk of the population, who prefer, in spite of official prohibitions, to use the Ottoman gold pound or the sovereign as the standard of value in important transactions; since the relation between the value of the gold pound and that of the paper pound is constantly changing, problems are always arising in regard to the rate of repayment of debts calculated in terms of gold but actually paid in paper.

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In commerce as in industry the old order is dying. So long 433 as Syria and Lebanon formed part of the Ottoman Empire, 439 their towns were centres not only for the internal trade of a great part of Ottoman Asia but also for much of its trade with Europe. The last generation has seen the disintegration of the Empire into a number of separate States and the creation of tariff-barriers and other obstacles to the free flow of goods; it has witnessed also the rise of the port of Haifa, and the consequent diversion of part of the transit-trade from Syria and Lebanon to Palestine. In addition, the decline of the traditional industries and the decrease in the demand for their products, the slow growth of modern industries and the absence of any considerable demand in the world for

433 such goods as Syria's few modern factories produce, have
439 between them severely limited the Syrian and Lebanese export trade.

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457 According to the official statistics for 1938, the latest year for which detailed figures are available, the main countries to which the French Mandated Territories exported goods were Iraq, Palestine, France, Transjordan, Italy, the United States and Egypt, in that order.[1] Much the most important exports were vegetable products and textile materials and goods. The total value of exports and re-exports (excluding the oil of Iraq) was some 892,232,000 francs (£5,028,000).[2] The chief countries from which goods were imported were Great Britain, France, Japan, the United States, Germany, Italy and Roumania. The main goods imported were textile materials and goods, metals and metal work, vegetable and mineral products; and the total value of imports was 1,707,696,000 francs (£9,059,000).[2] There was thus an adverse trade balance of 815,464,000 francs (£4,031,000) which was largely offset by the revenue from certain types of invisible export. For example large sums were brought into the country by the many thousands of tourists who visited it, and by the Egyptians, Palestinians, Iraqis and others who spent the summer in the hill-resorts of Lebanon. Again, considerable sums of money were sent home by emigrants in America and elsewhere; this item is now much less important than during the past, but it is still not negligible. A third type of invisible export was the foreign capital invested in the country, and foreign credit granted to merchants. In spite of these invisible exports, however, both the size of Syrian and Lebanese foreign trade and the discrepancy between imports and exports are unsatisfactory. The situation can be improved, first by an increase and diversification in production, and secondly by the discovery of external markets for the goods produced, either in the neighbouring countries or elsewhere.

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511 Syria and Lebanon are comparatively poor countries, and in spite of the changes which have taken place the standard of living in the countryside and among the poorer classes in

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[1] For statistics of foreign trade, see Ministère des Affaires Étrangères, *Rapport*, 1938, pp. 199-202.

[2] Calculated at the rate of 177.45 francs, to the pound sterling. This was the average rate for December, 1938.

Natural Resources

Land and water are undoubtedly the principal natural resources of 135
Syria. Indications do not point to extensive mineral deposits. Some poor 315
lignite but no coal has been found. A subsidiary of the Iraq Petroleum 316
Company carried out extensive prospecting and drilling over a considerable area under a concession granted in 1938. After spending about £ 6 million sterling in exploratory work, it surrendered its concession in August 1951. Although the belief persists in Syria that considerable oil will one day be discovered, there is no evidence to support the supposition. Drilling did reveal the presence of natural gas in eastern Syria, southwest of Hassetche, and also of appreciable quantities of rock salt. In theory this gas, if proved in considerable volume, together with salt, could provide the raw materials for the production of fertilizers and alkalis, but other countries—for example Iraq—may well be more favorably situated with respect to the development of similar resources. The natural gas could also be used as a source of energy but it is unfortunately found at a considerable distance from the potential market in western Syria.

There are important deposits of bitumen or asphalt. One of these, in the province of Latakia, is already being mined, but other and far richer deposits uncovered in the Djebel Bichri, west of Deir ez Zor, are being exploited to a minor extent only by the Ministry of Public Works. The latter deposits are expected to assume considerable importance in the extensive roadbuilding program the government is planning to undertake. Iron ore, chromite and lead and iron pyrites are known to exist, but their presence in commercial quantities is still to be proved. While licenses for prospecting of minerals are being issued, on the basis of existing evidence it seems unlikely that mineral resources exist in sufficient quantities to affect the future of Syria significantly.

Agriculture

Syria is predominantly an agricultural country. Between 65% to 75% 241
of the people derive their living directly from agriculture, and a con- [242]
siderable portion of the balance earn their livelihood by handling or pro- 433
cessing agricultural commodities. Agriculture and animal husbandry together probably account for 45% to 50% of the national income. In agriculture, winter crops are most important because rainfall is concen-

241 trated in the fall and winter seasons. Thus around 70% of the area in
433 crops is usually planted to wheat and barley, and these two cereals con-
tributed £S 59.2 million and £S 70.8 million or approximately 19% of
the total value of Syria's exports in 1952 and 1953. Although a considerable
number of summer crops are grown, including sorghum, maize, rice,
pulses and vegetables, by far the most important of these is cotton. The
latter now rivals wheat as the most valuable crop of the country even
though the 1953 acreage planted to cotton was only 10% of that sown to
[439] wheat. Exports of cotton and cotton seed amounted in 1952 and 1953 to
£S 131.2 million and £S 140.2 million, or 38% and 40% of the value of
all exports. Orchard crops such as olives, nuts, apricots and other fruits
also assume some importance in agricultural production, although they
233 take up less than 10% of the planted area. Animal husbandry, based prin-
439 cipally on sheep and goats, is primarily a pastoral industry without a close
link with settled agriculture. Exports of livestock and livestock products
including hides and skins, samneh (clarified butter), cheese and eggs,
amounted in 1953 to almost £S 48 million or around 13% of the total
value of exports. Live animals alone contributed £S 23 million, although
such exports were offset by imports, primarily from Iraq, to a value of
£S 7.1 million.

241 Much of Syria's agricultural output is consumed on the farm and
433 therefore does not enter the market economy. From the returns of the
agricultural production tax, which is levied only on produce brought to
market, it may be estimated that only around 40% of the production of
wheat, maize and sorghum and less than 30% of the output of lentils is
sold.

Industry

433 During the postwar period industry has steadily forged ahead, although
464 its contribution to national income is probably still only between one-fifth
and one-fourth that of agriculture and animal husbandry. The number
employed in manufacturing is difficult to estimate, since the 1947 census
provided no occupational breakdown, and industrial enterprises required
to register with the government generally understate the number of work-
ers employed. Fragmentary data collected by the mission indicate that
employment in more or less mechanized manufacturing establishments,
many of which are very small, may be between 35,000 and 40,000. If

handicraft workers and artisans are included, the number engaged in 433 some form of manufacturing may approach or perhaps even exceed 464 100,000.

The textile industry, including spinning, weaving, knitting, dyeing [281] and finishing, and the manufacture of garments, is the most developed. It probably employs close to 20,000 people in more or less mechanical establishments and it was able, in 1953, to export goods to a value of about £S 25 million. Among other important industries are flour milling, the extraction of vegetable oils and making of soap, tanning, sugar refining, canning and preserving, and the manufacture of cement, glass, tobacco and matches. The production of utensils, implements, furniture and shoes, although on a considerable scale, is almost completely in the handicraft stage.

Commerce

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Commerce has always been one of the most profitable occupations in Syria. It has furnished much of the capital for the development of industry and even of agriculture. Aleppo and Damascus are the principal commercial centers of the country, the former being the more important. It handles most of Syria's exports, which emanate largely from the northern part of the country, and with the development of the port of Latakia it is also increasing its share of the import trade.

Foreign commerce is quite important in total trade. Over the three-year period 1951-53 the value of imports has averaged close to 30% of probable national income and exports about 22%. Exports have risen rather steadily in total value, and imports somewhat more slowly. Separate foreign trade figures for Syria have been available only since March 1950, when the economic union with Lebanon was terminated in order to give Syria more freedom in protecting its domestic manufacturing industry. Foreign trade has developed as follows (in millions of Syrian pounds):

Year	Customs figures			Adjusted figures		
	Exports	Imports	Balance	Exports	Imports	Balance
1951	277	304	−27	292	418	−126
1952	320	313	+7	337	444	−117
1953	376	307	+69	408	484	−76

454 Savings institutions are virtually non-existent. There are no special savings banks and the regular commercial banks do not consider it worth while to make a particular effort to attract savings deposits. In fact, total savings deposits in commercial banks at the end of 1953 amounted to only £S 3.5 million. No postal savings system exists, and savings in the form of insurance are negligible. This does not mean that savings do not accrue, but rather that they do not take institutional form and are invested directly, not through the intermediary of institutions or a capital market. Syrians generally prefer types of investments which are tangible and visible, such as land and buildings, and over which they can exercise some personal control. In the past the habit of putting savings into hoards of precious metals or even currency has also been deeply ingrained. There is some evidence, incapable of statistical measurement, that the relative importance of savings in the form of hoards has declined in the postwar period as opportunities for profitable investment have grown. Investment in corporate securities has greatly increased during this period, but only by limited groups of people and under conditions assuring them control over the corporate enterprise. Shares in industrial companies are bought and sold in an unorganized and very limited market.

Economic Growth

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433 One of the most noteworthy features of the Syrian economy has been its rapid growth over the last two decades, as indicated in Table 3. Agriculture and industry have both featured prominently in this development. The availability of idle land combined with the food shortages attributable to the war provided a tremendous incentive to an expansion of agricultural output. The area under cultivation, including fallow land, rose from about 1.75 million hectares in 1938 to 2.3 million in 1945 and has since continued to expand, reaching a total of around 3.65 million in 1953. The area actually planted to crops and orchards accordingly more than doubled during this entire period, rising from 1.16 million hectares to 2.44 million. By far the greatest part of the area put to the plow was dry farming land. According to official estimates, for example, the amount of land planted to winter wheat and barley increased from about 750,000 hectares in 1938 to 1.13 million in 1945 and 1.34 million in 1953, and the output of these cereals about doubled during the whole period. Following the war a considerable expansion of irrigation took place. By 1953 the irrigated area

was officially estimated at 509,000 hectares as compared with 284,000 in 241
1946. The resulting rise in the value of agricultural production was par- 311
ticularly marked, since with irrigation more valuable summer crops could 433

TABLE 3 Indicators of Economic Growth

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	Prewar	1945	1947	1950	1953
Agriculture					
Cultivated area (million ha.)	1.76	2.29	—	3.09	3.67
Cropped area (million ha.)	1.16	1.51	—	2.05	2.44
Wheat					
Area (thousand ha.)	473[a]	751	843	992	1,314
Output (thousand MT)	459[a]	415	404	861[b]	962[b]
Barley					
Area (thousand ha.)	279[a]	384	365	416	428
Output (thousand MT)	290[a]	248	169	322	472
Cotton					
Area (thousand ha.)	30[a]	17.5	19.3	78.0	136.6
Output (thousand MT, ginned)	5.4[a]	4.3	5.4	35.5	47.0
Agricultural production tax (million £S)[c]	—	—	9.1	16.2	22.4
Industry—Output					
Cotton and rayon yarn (thousand MT)	1	—	—	—	9–10
Cotton and rayon cloth (million meters)	15	—	—	—	ca.100
Vegetable oils, excluding olive (thousand MT)	(negligible)	—	—	—	ca.10,000
Soap (thousand MT)	3.4	—	—	—	8.9
Fruit and vegetable preserves (thousand MT)	1.8	—	—	—	4
Cement (thousand MT)	less than 75	—	—	—	224
Matches (million boxes)	11	—	—	—	32.2
Cigarettes (MT)	416	—	—	—	1,644
Electricity (million KWH; principal utilities)	25.1	—	—	—	114.2
Financial					
Government receipts (million £S)[d]	11.5	118.3	116.2	138.9	216.7
Notes and coins in circulation (million £S)[d]	19.9	210.7	183.2	224.6	288.4
National income (million £S)	—	—	—	1,380	1,600

[a] 1934–38 average. The production figures for wheat and barley may well be somewhat overestimated.

[b] Official production figures have been revised upward in the light of the amounts marketed as revealed by the agricultural production tax returns.

[c] The proceeds of this tax, levied on produce brought to market, tend to exaggerate the rate of increase in production, but are nonetheless a good indication of trends in output.

[d] Figures are not deflated for price increases. While a reliable price index is lacking, the price level in the period 1950–53 was probably between five and seven times as high as that before the war.

244 311 433 be grown. Thus with the stimulus originally imparted by the Korean war boom, cotton, which had long been grown in Syria but on a small scale, has developed into one of the country's most valuable crops.

433 Manufacturing has expanded rapidly in the postwar period. Although the original impulse was given by the wartime shortage of manufactured goods, new factories were not for the most part established until after the war. Among the new modern factories built since then are six spinning and weaving mills, a considerable number of cotton ginneries, a dyeing plant, six vegetable oil mills, a glass factory, a cement plant and a sugar factory. The total amount of paid-up capital of manufacturing enterprises established in corporate form since the end of the war is in the neighborhood of £S 80 million. Since enterprises generally refuse to disclose their output, statistical measurement of the increase in production is extremely difficult. Very rough estimates indicate that about 9,000-10,000 metric tons of cotton and rayon yarn were produced in 1953 as compared with probably less than 1,000 tons in prewar years. The output of cloth was about 14,000 to 16,000 tons, or more than 100 million meters, as compared with perhaps 15 million meters before the war. The production of vegetable oils (other than olive oil), which was negligible before the war, amounted to around 10,000 tons, and the output of soap, at a level of about 9,000 tons, was almost three times the prewar estimate. Cement production, which was less than 75,000 tons before the war, amounted to 223,639 tons in 1953. The output of cigarettes was about four times, and that of matches three times, that of prewar years.

331 The expansion of agriculture and industry has in turn stimulated commerce, transport and construction. The construction industry in particular has witnessed a postwar boom which lifted the volume of building to a level probably twice as high as that in the years immediately preceding the war. Increasing prosperity, together with the wartime drop in building, generated a large volume of housing construction in all major cities.

434 The increase in national income since before the war has undoubtedly been very great; in real terms it may well be almost double. Unfortunately the fragmentary nature and unreliability of statistical data make even approximate estimates of national income extremely difficult. For the postwar years an unofficial estimate has been made only for 1950, when national income was put at £S 1,250 million. Some very tentative calculations made by the mission indicate that this estimate may well be too conservative. These calculations point to a rise in national income from

community has been "investment conscious" and has engaged in little 454
conspicuous spending except perhaps for housing.

Predominance of Private Enterprise

A characteristic feature of Syria's rapid economic development is that 471
it has been almost wholly due to private enterprise. In spite of frequent 654
changes in government, private enterprise has retained a buoyant outlook
and continued to expand. Manufacturing industry developed with little
or no government support, except that in recent years the government
has provided some financial assistance and considerable protection against
foreign competition. Although the government has slowly increased its
services to agriculture and may be said to have contributed to its expan-
sion by interposing no bars to the occupation and cultivation of new land,
it did not play a significant role in the great increase in output. Even the
development of irrigation has been left primarily to private enterprise,
which has extended the irrigated area by sinking wells and, above all, by
installing pumps on river banks. Thus only 48,000 hectares are irrigated
by government schemes, whereas 250,000 hectares are irrigated by pri-
vately installed pumps. In the field of transport, as already indicated,
private motor carriers have assumed the burden of increased traffic despite
poor public roads.

The most significant, though indirect, contribution made by the gov- 655
ernment to development has been in the field of education. Increased out-
lays on education account for almost half of the total postwar expansion
in non-defense ordinary budget expenditures, which rose from an actual
total of £S 70.9 million in 1945 to an estimated figure of £S 125 million in
1954. During this period the number of schools and pupils more than
doubled. The literacy rate has probably been lifted to around 40%, which [212]
compares favorably with most Arab countries. In the field of communica-
tions the government has been active, notably in the development of the
port of Latakia and in the expansion and improvement of the telephone
network.

The Syrian economy has now probably reached a stage in its develop- 654
ment at which the government must undertake a more important pro- 433
motional role. It is unlikely that in the future private enterprise will be 311
able to maintain, unaided, the past rate of expansion. The amount of idle
land that can be put to the plow without significant investment has

654 severely diminished, and agricultural prices no longer afford such a power-
433 ful stimulus to the expansion of acreage. Extension of the irrigated area
311 must depend increasingly on public investment, particularly since the area which can be economically irrigated by privately installed pumps cannot be greatly expanded.

654 High transport costs and the low quality of grain are becoming serious
433 handicaps to Syria in an increasingly competitive world grain market. In other sectors economic activity seems also to be slackening. The future growth of industry is likely to be less rapid now that the more obvious manufacturing industries have been established. In construction it is also quite possible that the postwar boom has passed or will shortly pass its peak. Thus in the absence of a well-considered government program to stimulate the economy, the rapid increase in production and private investment may well taper off.

654 In agriculture the government now faces the need to make a careful
241 inventory of remaining land resources, to carry out irrigation projects on a greatly increased scale and to initiate settlement schemes for state lands. Steps must be taken to maintain and stimulate Syria's grain exports by providing better and cheaper transport and establishing facilities for the storage, grading and cleaning of cereals, thereby reducing losses and improving quality. In the future more emphasis will need to be placed on raising agricultural and livestock yields. The government will have to stimulate farmers to use better seeds and implements and to improve their crop rotation in the direction of soil-building crops and greater diversification. Livestock yields must be raised by undertaking a program of selection and cross-breeding, by building livestock shelters and providing more water for migrating livestock, and by initiating a more effective campaign against pests and diseases. To achieve these objectives the government must also expand and improve agricultural education, make available extension services at the village level and furnish much more agricultural credit on reasonable terms. Special efforts are required to assist the small peasant proprietor and the tenant who have not in the past fully shared in the rising prosperity. They must be helped to achieve greater economic independence and security and enabled to acquire the means of production with which to increase their incomes.

654 Although further expansion in industry should prove possible, greater
433 emphasis will have to be placed on selective expansion and on increasing efficiency so as to lower prices and broaden the market. Here the govern-

ment will need to help private enterprise achieve these goals by collaborating, 654 for instance, in the establishment of an institution to furnish technical 483 and financial assistance, revising policies for the protection of industry from foreign competition and working towards the creation of a larger market for manufactured products, particularly through an intensification of economic cooperation among Arab countries.

To service the economy new and better roads and a larger supply of electric power are clearly necessary. Both of these call for a substantial increase in public investment. Transport is the most important bottleneck in the economy today; the acute shortage of power in major centers such as Aleppo and Damascus is already receiving government attention.

While expansion of the production base of the economy is the para- 657 mount task of the future, education, public health and the social services will also make greater claims on the government's resources. A further extension of educational facilities is undoubtedly necessary, but at the same time more stress must be placed on improving the quality and content of education. The condition of public health still leaves much to be desired. While the most urgent deficiencies in hospital accommodations must be remedied, the most pressing need is to concentrate increasingly on the prevention of disease by such measures as an anti-malarial campaign, improvements in sanitation and provision of pure water supplies. A marked and general improvement in housing conditions is likely to result only from a substantial increase in production and improvement of living standards but the government should at least assist the larger municipalities to initiate a program to cope with the worst conditions of housing congestion, a by-product of rapid but uneven economic growth.

A program of this type, which we shall elaborate in subsequent chapters 680 of this report, should lay the foundation for a renewed and continued economic advance. It will serve not simply to compensate for a possible slackening of private investment but above all to create ultimately increased opportunities for greater private investment and enterprise which will expand production and raise standards of living.

The government has become increasingly aware of the task that lies 654 ahead. Its request for an International Bank mission to work out recom- 511 mendations for development testifies in part to its concern. It realizes that despite the economic progress of the past, the country cannot be satisfied with the current state of development and the standard of living it sustains. National income is still only around £S 440 per capita. Moreover, from the Ottoman Empire. Conflicting land grants have often been made 423 in the past, and many claims to land rest upon grants of dubious validity. Titles frequently have not been perfected or entered into official registers. Even title deeds which are registered often contain conflicting or vague specifications regarding the area and the boundaries of the property. A considerable amount of land is still held in common village ownership and periodically reallocated among the villagers who accordingly have little interest in the permanent improvement of their changing allotments.

Programs to determine and delimit titles through a cadastral survey and to convert village common land into individual peasant holdings have been under way for several decades, but progress has been painfully slow.

6. *Agricultural yields are considerably below potentialities.* 241

Agricultural yields in Syria generally do not compare unfavorably with 433 those in most other countries. Cereal yields tend to be about 10-20% below the world average and substantially below those achieved in Europe, but cotton yields are well above the world average and now approximate those in the United States. The output per hectare for virtually all crops is better than that in the rest of Asia.

This general picture does not, however, justify complacency. The relatively good yields have no doubt been largely due to the fact that the frontiers of cultivation have been pushed steadily forward into new and virgin lands. Without this rapid expansion of the area under cultivation, productivity would probably have declined. The mission noted evidence of soil depletion and falling yields in certain areas which had been continuously farmed over many years.

With the diminution in the supply of available new land, Syria will in the future have to rely much more on an improvement in yields to maintain the rise in output. The potentialities unquestionably exist. Fallow is still virtually the only method employed to maintain and restore soil fertility. Thus at least a third of the arable land lies idle each year. Animal manure is almost wholly used as fuel. The use of fertilizers is still in its infancy; in 1953 only 11,171 tons were imported. The practice of green manuring is virtually unknown. Insects and diseases still take a heavy toll. Much higher yields can be obtained through better selection of seeds and varieties, improved crop rotation and better soil preparation and cultural practices.

7. *Animal husbandry is not practiced as an integral part of agriculture and is still on a low standard.* 231
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474 focus not only on the farmer-owner, but also on the tenant, for only in that way can the latter's economic bargaining power be strengthened and his independence and security enhanced.

IV IMPROVEMENT OF PRODUCTION

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433 The mission approaches a discussion of this subject with some diffidence. Generalities are difficult to avoid. It is easy to point out deficiencies in agricultural practices, but much more difficult to suggest a concrete and practicable program to improve them. Effective action is made difficult by the ignorance and inherent conservatism of farmers. It requires a larger, better trained and better organized government service to carry out the necessary trials and experiments and to work with farmers at the village level. Obviously, no miraculous increase in productivity can be expected within a short time.

Nevertheless, the subject is too important to neglect. In too many countries the undeniable difficulty of carrying out a program to raise yields has caused governments to shrink from such an undertaking. We have already indicated why much more attention must be paid to this problem in Syria. Although land in Syria is more plentiful than in many other Asiatic countries, the population pressure on good land is bound to grow. If the country is to support an increasing population on higher living standards, the task of obtaining more output from cultivated land cannot be postponed.

The mission can only point out some of the potentialities and indicate in a rather general way how they might be realized. More detailed programs must be worked out by the Ministry of Agriculture with the help of the FAO or other sources of technical assistance.

Crop Rotation and Diversification

Improvement in existing patterns of crop rotation is one of the most important methods of improving the fertility and structure of the soil and permitting a gradual diminution in the use of fallow. The aim should be to reduce customary fallow in the rainfed areas by at least 50% and to the greatest extent practicable in the irrigated areas. The much more extensive use of leguminous plants for both winter and summer cultivation would help to remedy existing deficiencies in nitrogen and supply either nutritious fodder for livestock or material for green manuring to build up the depleted humus in the soil.

At present no legumes other than winter vetch and berseem are grown on a large scale during the winter season. While lentils, beans and peas are cultivated as cash crops in the Hauran and regions around Damascus and Aleppo, the value of legumes for fodder and pasture is not appreciated. A considerable number of leguminous plants which have not been cultivated in Syria, at least on any considerable scale, might well be introduced and tested.[11]

Aside from these legumes, other crops might well be tried out for inclusion in the rotation system so as to provide more diversified production. Among these are oil seeds such as the sunflower, linseed and sesame. The mission also recommends experiments with safflower, a plant which grows well under dry climatic conditions and in soils of moderate fertility.

The mission recommends that experiments be undertaken to determine the best rotation schemes for both irrigated and non-irrigated land in different parts of the country; and it suggests that £S 1 million be made available to defray the cost over the next five or six years. A substantial part of this should be used to finance trials on selected, strategically located farms, especially to provide free seed and instruction to farmers willing and able to try changes in crop rotation which experimentation has indicated as advantageous.

We realize that the adoption of crop rotation plans designed to reduce fallow significantly will by no means be easy. There will be limitations set by the availability of manpower, draft animals and machinery, and water. Legumes, however, can often be interplanted with cereals; and ways and means can probably be found to fit new crops into the rotation scheme at a time when they will not compete with the principal crops for the cultivator's time and equipment, or, in irrigated areas, for the available water. If additional implements or draft power are needed, they may be acquired, provided better credit facilities are established. Since additional resources are no doubt required to keep more land cropped, the economics of new rotation plans will have to be carefully worked out in the course of the proposed experiments and trials.

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[11] See Annex C, p. 309, for specific suggestions.

Fertilizers, Insecticides and Weedicides

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In increasing fertility, the more extensive use of fertilizer can be an important supplement to, but never a complete substitute for, better crop rotation. The most serious deficiency in Syrian soils is nitrogen, and though phosphorous is present the alkalinity of the soil often makes it less available as a plant nutrient. The use of ammonium sulphate, or anhydrous ammonia, and superphosphates could undoubtedly raise yields significantly. At present only modest quantities of fertilizers are applied in the Ghouta and in the cotton-growing regions. It is idle, however, to expect a rapid expansion in the employment of fertilizers; and a program to encourage their promiscuous use might well do more harm than good. The response to fertilizer depends very largely on appropriate timing of its application, the availability of water and other factors. A number of experimental stations in Syria have been carrying out experiments on nitrogen deficiency. The mission suggests that this program be expanded and supplemented by field trials on selected farms in various parts of Syria. The fertilizer for these field trials should be made available free or at nominal cost over a period of years sufficient to permit adequate testing. The mission recommends that a sum of £S 500,000 be made available for this purpose over the next five or six years.

The use of insecticides and pesticides has been almost entirely confined to cotton, and even for cotton they were applied extensively only in 1952 when dusting was made compulsory. Regular spraying and dusting of cotton and orchard crops should particularly be encouraged. A program of education and demonstration, combined with credit facilities for the acquisition of equipment and materials, is clearly necessary. Experiments should also be undertaken with modern weedicides, for there is little doubt that weeds at present greatly detract from yields.

If the use of fertilizers and insecticides is to be promoted, the cost should be reduced as far as possible. At present fertilizers are largely imported in the form of pre-mixed compounds containing a high proportion of carrier material readily found in Syria, and similarly, in the case of insecticides, essential ingredients account for only a small percentage of the volume imported. The mission suggests, therefore, that the possibility of lowering costs by establishing a plant for mixing fertilizers and making insecticides from imported ingredients should be explored.

Implements and Machinery

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In Syria there is an enormous gulf between the employment of modern tractors and combines in certain areas and the use of the traditional peasant plow or *feddan* and hand-harvesting and threshing methods elsewhere. The tractor can undoubtedly do a far better job of cultivation. It breaks the hard soil pan so as to facilitate deeper penetration of roots and moisture, and it promotes seed germination by more effective pulverization of the soil. It is equally obvious that combines produce a cleaner grain with less waste than the traditional process of having animals trample the grain and winnowing the resulting product by hand.

The development of Syria's agriculture, however, hardly depends on the rapid expansion of mechanized farming. The use of mechanized equipment can be recommended only where labor is relatively scarce or where units of exploitation are large, as is the case in the Jezireh. Small farmers cannot afford costly, modern machinery. Cooperative ownership and operation of such machinery may ultimately be undertaken, and the mission does suggest, as indicated previously, that an experiment along this line be carried out. It can hardly be expected, however, that this type of cooperative, which is among the most difficult to manage, will spread rapidly in the future.

Far more important and urgent is the task of improving and supplementing the poor implements which the peasants now have at their disposal. They should not have to rely almost wholly on the *feddan* which barely scratches the soil and leaves perennial weeds to compete with crops for the limited supply of soil nutrients. The farmer should have a better plow, supplemented by a cultivator or spike-tooth harrow; a simple seed drill that might permit him to get better yields by sowing in rows instead of by broadcasting; pedal threshing equipment and a hand-operated winnower that would enable him to produce a cleaner grain with less effort; and a simple leveller that would help him to level his land and avoid waste of rain or irrigation water.

Programs to improve and develop implements for the small farmer have been successfully initiated in a number of countries such as India and Afghanistan. The mission strongly recommends that such a program be undertaken promptly in Syria. It would propose establishment of a small implement center in cooperation with the FAO or other technical assistance agencies. This center should be equipped with a shop in which

433 241 407 prototypes of useful implements would be made. These prototypes should then be distributed for supervised testing among selected farmers and arrangements would have to be made for the production of those found successful. Such a program need not be expensive. The mission estimates the capital cost at about £S 150,000 and recurring annual expenditures at not more than £S 100,000.

The problems of mechanized cultivation should not, of course, be neglected. Already an estimated total of 750,000 hectares is tilled by mechanical means. Over 1,300 tractors and 500 combines are being used today, primarily in the Jezireh but also, increasingly, around Aleppo. Mechanical farming is handicapped, however, by the high cost of fuel; lack of sufficient skilled labor to operate, maintain and repair machinery; inadequate repair facilities; excessive cost and, sometimes, deficient supplies of spare parts; insufficient knowledge of the suitability and capability of different types of equipment; and the utilization of too many kinds of machinery. Standards of maintenance are extremely low and repairs much too costly. The abuse of machinery greatly shortens its life. In the Jezireh, major repair facilities exist only in Kamichliye, and only two dealers have their own service stations. All these factors make mechanical farming excessively expensive. In the last two years, profits have seriously diminished as cereal prices declined and costs remained fixed. A reduction of costs is particularly necessary since the mechanically operated farms now contribute the bulk of Syria's exports of cereals.

Better transport facilities will do more than anything else to lower fuel costs. To deal with the other cost factors, a number of measures can be recommended. First of all, machinery dealers should be allowed to operate only if they abide by defined limitations on the price mark-up on machinery and spare parts; maintain prescribed minimum supplies of spare parts; and undertake to operate service and repair facilities in such centers as Kamichliye and Aleppo. Certain reputable dealers have declared to the mission their willingness to adhere to such qualifications, which have proved useful also in other countries. Secondly, the mission urges that short-term courses in the selection, operation and maintenance of farm machinery be organized at Kamichliye and Aleppo. Such courses should be conducted in the agricultural "dead season" and separately for owners and operators. The first should be instructed in the performance and capability of different types of equipment, in the supervision of operation and maintenance, and in the simple economics of mechanical farming; and

the latter should be taught elementary principles of repair and mainte- 433
nance. The courses for field operators and mechanics might well include 241
some in-service training in repair shops. The cooperation of reputable 407
dealers in organizing such courses should be enlisted. Finally, the mission proposes the establishment of a secondary agricultural school in Kamichliye to specialize in problems of agricultural engineering. Facilities for instruction in this subject should also be provided at the existing school in Aleppo. The mission envisages an expenditure of £S 2 million for such school facilities. The short-term courses could probably be made self-supporting. To initiate and help carry out this program, the mission suggests that the government obtain the services of one or two machinery experts through the FAO.

Cereals

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Aside from the measures outlined above, programs to raise the yield of certain crops must be undertaken. For cereals the development of higher yielding and more disease-resistant strains is of paramount importance. Although many varieties of wheat and barley are grown in Syria, little is known about their comparative worth. A large number of the more promising foreign wheat and barley strains have recently been imported for testing, but the funds, staff and facilities for an adequate testing program are largely lacking. The mission accordingly recommends that the Ministry of Agriculture be enabled to carry out a program for testing, selecting and propagating high-yielding and disease-resistant seed.[12] Since the shortage of trained Syrians may continue for some time, it is likely that the program will have to be handled by a foreign staff (FAO; the French Technical Assistance Mission in Syria). The staff should include a director in charge of planning, three plant breeders and a plant pathologist. They should be assisted by a staff of about 30 Syrians who will largely have to be trained for this purpose. The mission estimates the cost of such a program at about £S 4.5 million over the next five or six years.

For wheat and barley the aim should be to develop good varieties which mature early and can therefore be harvested before the extreme heat. For rice, which will undoubtedly be cultivated in larger volume as the irrigated area expands, the aim should rather be to develop slow-

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[12] See Annex C, p. 304, for year-by-year recommendations.

243 433 maturing varieties to replace the praecox strains currently used. The high day and comparatively low night temperatures in Syria are more suitable to slow-maturing rice varieties. For maize it is especially important to test and select appropriate hybrid strains. In Syria maize yields are only about 1.3 tons per hectare while in the United States hybrid maize yields about 4.4 tons. With the introduction of high-yielding hybrid strains, the production of maize should definitely be encouraged since it fits well into the crop rotation scheme, is rather heat resistant and can provide not only grain but also fodder and silage.

Once suitable seed strains have been selected by testing, arrangements should be made with farmers in various parts of Syria for the propagation of such strains under proper supervision. These farms could serve at the same time as demonstration centers. The seed thus propagated should be certified and made available for distribution through licensed dealers, cooperatives and Chambers of Agriculture.

Cotton[13]

248 433 The government already has a praiseworthy program for the improvement of cotton cultivation. The disastrous failure of the cotton harvest in 1951, caused by the rather reckless expansion of cotton acreage and an uncontrolled invasion of destructive insects, brought in its train a number of corrective measures. The government regulated cotton acreage by licensing, and specified the time of planting. Controls over the treatment and distribution of seed were established. Even dusting and spraying were prescribed in 1952. Variety tests have also been conducted, and as a result Coker Wilt, a high-yielding strain, is now predominantly cultivated in Syria. A Cotton Office, staffed largely with Egyptian experts, has been charged with the improvement of cotton production. This entire program should be further expanded as more Syrian technical personnel become available. The mission suggests, for instance, that a special station be established for cotton breeding and insect control. More attention should be paid to cultural practices. Yields can be raised by reducing the danger of pests through rigorous cleaning of cotton fields following the harvest and destruction of host plants; by closer planting to discourage excessive vegetative growth and to promote earlier maturity; and by applying fertilizers at appropriate times.

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[13] See Annex C, p. 305.

Sugar Beet[14]

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Sugar beet, though introduced only recently, is becoming an increasingly important crop. The sugar factory established in Homs has brought in seed from the Netherlands and Germany and distributed it to farmers. The reclamation and irrigation of the Roudj and the Ghab will undoubtedly give a great fillip to sugar beet cultivation and raise average yields, for beets do best on irrigated land. At present yields are still disappointingly low compared to those achieved in Western Europe and the United States. The mission suggests that efforts be particularly devoted to selecting a series of varieties with a wide range in maturity, so that the operating season at the Homs factory can be considerably prolonged. In the Euphrates and Khabour river valleys there are areas suitable for beet cultivation which can obviously not be served by the Homs plant. Ultimately the establishment of additional factories in these areas may prove worthwhile. Although the cost of producing beet sugar in Syria is undoubtedly higher than the cost of importing raw sugar (which is principally if not wholly cane sugar), the cultivation of beets has beneficial effects on the soil which appear to warrant its encouragement.

Tobacco

Tobacco is a minor crop, though important as a source of government revenue and of farm income in the province of Latakia, where it is predominantly grown. It is one of the crops, however, which is most in need of improvement. Seed selection, curing and grading all leave much to be desired. The entire plant, rather than selected leaves, is often harvested at one time. The Tobacco Monopoly, which licenses the growers, has paid [655] little attention to the improvement of methods. The mission suggests that the Monopoly devote an additional sum of at least £S 75,000 annually to this purpose. At present three varieties of tobacco are grown: Abou Riha, the so-called "Latakia tobacco," which is bought almost entirely by a single American cigarette manufacturer for blending; Chek-el-Bint, used in the manufacture of Syrian cigarettes; and Tombac, produced for water-pipe smoking. In view of the rather uncertain market for Abou Riha, it would appear wise to develop the production of high-aromatic tobacco of the Turkish or Macedonian type for which a more durable market seems

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[14] See Annex C, p. 308.

249 433 assured. The possibility of growing Virginia-type tobaccos should also be explored.

Orchards and Vineyards

245 433 Vineyards and orchard crops such as olives, nuts, apricots and other fruits already make an important contribution to agricultural income. Both the quality and the yield could be substantially raised by proper insect control, the use of fertilizers and tracer elements, and better pruning. Many existing orchards need rejuvenation. Heavy frosts in 1949-50 severely damaged olive orchards around Aleppo, so that Syria is now on a net import basis for olive oil. Establishment of vineyards and orchards in the Djebel Druze would help materially to raise the present low level of income in that region. In Latakia province the cultivation of citrus could be significantly increased. The availability of ample long-term credit at low interest rates is especially important for an expansion and rejuvenation of orchards and vineyards.

Vegetables

244 433 Vegetable growing in wide variety is concentrated in and around the larger population centers. The fact that so little is grown and consumed in the rural areas is due mainly to the fact that neither the small farmer nor the majority of consumers yet knows the value of a balanced diet; on the contrary, both hold vegetable cultivation in low esteem. Education and guidance centered upon the establishment of school gardens might do much to change this attitude.

The significant quantity of vegetables at present used by the local canning industry could easily be doubled though, as the canners explained to the mission, the poor quality of vegetables in general, and of peas and beans in particular, tends to limit the quantity suitable for processing. Better seed, improved cultural practices and adequate insect control measures could contribute greatly to higher quality and quantity. Improved transport, storage and marketing facilities should be included in community and cooperative development schemes, thus opening up possibilities for more exports and a very substantial increase in the activity of the local canning industry which at present produces about 4,000 tons of canned goods.

In view of the desirability of increasing the role of vegetables in the Syrian diet and of their potential as a domestic and export cash crop, governmental stimulus would be of great benefit. 244 433

ANIMAL HUSBANDRY

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The problem of raising the production and quality of livestock has been comparatively neglected. Inadequate nutrition, high incidence of disease and mortality, and poor breeding all depress livestock yields far below what they should be. Livestock now accounts for less than 20% of the total contribution made by agriculture and animal husbandry to national income. This contribution to national income could undoubtedly be raised substantially because the possibilities for improvement in animal husbandry practices are vast and the demand for livestock products both at home and abroad is likely to increase more than proportionately as standards of living rise.

Better nutrition, control of disease and breeding are all necessary. Of the three, improvement in nutrition is by far the most important. Irrespective of breed, an animal will not be productive unless it is well fed. In fact the genetic factors in any breed cannot be fully developed and appraised unless nutrition is adequate. Similarly, low nutritional standards inevitably lower the resistance of livestock to disease and limit the effectiveness of control measures.

Migratory Livestock

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Over 80% of the livestock other than fowl consist of sheep and goats, and most of these are taken by Bedouins on annual migrations into the Syrian desert or steppe for grazing. The available vegetation is sparse and of short duration. As is usual under desert or semi-desert conditions, there is generally overgrazing in the areas close to permanent water supplies, and the poorer the season—in terms of rainfall—the heavier will be the concentration on such areas. During severe winters when winter growth ceases at an early stage and when the herbage may be destroyed by early frosts, there is a high mortality rate from the combined effects of malnutrition, helminthiasis and exposure.

It has been suggested that much of the mortality could be avoided by

CHAPTER 4 *INDUSTRY*

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433 Considering its size and general level of development, Syria already has a considerable manufacturing industry.[23] While Syria can hardly be called an "industrialized" country as yet, the growth of manufacturing during the last decade would undoubtedly have outpaced that of agriculture if certain special circumstances, such as the availability of idle land and a great demand for agricultural commodities, had not produced an equally rapid expansion of agricultural output. Most of the industrial production is for the home market, although in 1953 manufactures, particularly those of the textile industry, contributed about 15% of the country's exports.

Modern factory production in Syria is a relatively recent development. While a few textile factories and a cement plant were established before the last war, prewar manufacturing was predominantly handicraft. In certain branches, such as the weaving of brocades and the working of metals, Syrian artisans had established a world-wide reputation. However, methods of production and even volume of output in the handicraft industries had long been rather static and had even deteriorated somewhat under the impact of the competition of foreign machine-made goods.

The scarcity and high prices of foreign manufactures during the war and immediate postwar years greatly favored an expansion of Syrian industrial production. Many new factories were established. The abnormally high profits earned in commerce during these years caused merchants to turn to industry as an investment outlet for their surplus capital. Once the profitability of industry was demonstrated, additional capital was attracted. Many industrial enterprises reinvested a substantial portion of their profits in further expansion. The opportunities for profit also stimulated some influx of foreign capital, particularly from Lebanon. [4-73] Nearly all of the new enterprises took the form of joint stock companies. Although in each case a limited number of businessmen took the initiative in founding the company and retained the controlling interest, the fact that at least some of the stock ownership became rather widely dis-

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[23] See Annex F, p. 357.

433 persed testifies to the appeal which industrial investment has made to a growing number of people.

[228] The textile industry has taken the most prominent place in Syria's industrial development. There are 90,000 to 100,000 spindles working on cotton and rayon and well over 5,000 mechanical looms. In cotton cloth Syria is approaching self-sufficiency and in rayon cloth it has already achieved a net export surplus. The woolen industry, dependent on imports of raw wool or yarn, is much less developed. In dyeing and printing, modernization is well under way. Along with the production of yarn and cloth, the output of garments has considerably expanded. Knitted goods, underwear, socks and stockings are now produced on a sufficient scale to permit exports.

The vegetable oil industry and the manufacture of soap have grown substantially in the postwar period, particularly as the increase in cotton cultivation supplied more raw materials. The food canning industry was expanded, and a factory was established to produce refined sugar from domestic beet and imported raw sugar. A second cement plant was installed; the two together expect to reach an annual production capacity of 400,000 tons by 1955. The postwar period also witnessed the establishment of a number of modern flour mills, a glass factory, a metal container plant and factories producing, among other commodities, rubber boots, matches, and beverages.

Present Stage of Development

Since manufacturing is a field for private enterprise in Syria, the mission has concerned itself not with individual projects, but rather with government policies which guide and stimulate private industrial investment. These policies must, of course, be devised in the light of the current stage of industrial development and of the problems which industry faces.

In this connection it should be noted, first of all, that there have been no conspicuous cases of misdirected investment in industry. The glass plant was undoubtedly conceived on too ambitious a scale, and the government participated with private capital in an abortive venture to manufacture certain types of machinery and spare parts. By and large, however, investment has been in fields where Syria should in the long run be able to achieve efficient production capable of withstanding foreign competition. In the main, Syrian industry falls, with some overlapping, in the

433 following categories: processing of indigenous agricultural products, including cotton ginning, flour milling, vegetable oil extraction, tanning and food preserving; production of goods which because of transport costs are advantageously produced at or near the centers of consumption, such as cement and other building materials and, to a lesser extent, glass, furniture and other wood manufactures, and beverages; and the manufacture of simple consumer goods which are purchased in considerable volume by the home market, such as textiles, soap, boots and shoes, utensils, matches, sugar and sweets and the like. In all these lines Syria might be said either to enjoy some natural advantage or at least not to suffer any serious disabilities by comparison with other countries.

This does not mean that all Syrian industry is already so efficient as to be able to meet unrestricted foreign competition. Like any other young industrial country, Syria suffers from a number of handicaps which at least in the present stage prevent it from being fully competitive. Labor, management and equipment are deficient in varying degrees. With respect to labor, the mission was told that Syrian workmen have revealed considerable capacity for acquiring industrial techniques and that long-established handicraft skills have been helpful in building up a factory labor force. But a truly skilled labor force can be developed only over a long period of time, and it is evident that real labor costs as reflected by current wage rates and labor productivity are still rather high in some branches of industry. Managerial skills also vary widely, even within a single industry. In general, Syrian industrialists have demonstrated notable initiative and imagination in building up and managing their enterprises. Yet the picture is spotty. In some plants, particularly the larger ones, the quality of management compares favorably with that in western countries. Costs are carefully controlled, the management is acquainted with industrial methods and equipment used in other countries, and competent engineers, frequently recruited abroad, direct the technical aspects of production. In others, primarily small enterprises, management cannot afford to engage qualified engineers and must rely more on its own experience, painfully acquired at the expense of costly mistakes. The same differences were noted by the mission with respect to industrial equipment. Some plants are extremely well equipped, others struggle along with poor second-hand machinery, and still others are only partly mechanized. In Syrian industry, as in other segments of the economy, the most advanced and the most primitive exist side by side. In the textile industry, for example, one finds completely integrated plants carrying on spinning, weaving and dyeing; 4/39 a large number of enterprises each equipped with a small number of mechanical looms; and, finally, perhaps some 6,000 hand looms still operating in part. In the leather industry there are a few modern tanneries but the bulk of the output apparently still comes from small establishments operating without machinery and with primitive techniques. In some branches of manufacturing, such as the production of leather shoes and domestic and other utensils, production is still in the handicraft stage. There is evidence, however, that even small shops are tending to mechanize themselves to some extent by the purchase of one or two machines.

Under these circumstances it is not surprising that there are great variations in efficiency even among the larger enterprises. This is reflected in part in great disparities in the profitability of industry. Profits vary widely not only from one branch of industry to another but also within a single industrial branch. In general, competition within Syria has not been sufficiently strong to force out the less efficient producers. Thus one of the central problems of Syrian industry is to bring about a general reduction of costs by assisting the less efficient producers to improve their methods of production, or, alternatively, to help the more efficient to expand their capacity and output more quickly than they could with their own resources.

We believe that the period of rapid industrial expansion has come to a close. Even in the last few years the emphasis has been more on consolidation than on further growth. While many existing plants have continued to expand, especially by installing more modern, efficient machinery, fewer new factories have been established. The more obvious or "natural" industries have been created. In some branches there is even capacity surplus to requirements, particularly considering the limited ability to export. This is true, for instance, of cotton ginning, vegetable oil extraction, glass and matches. We do not mean to imply that industrial investment opportunities have been exhausted. Further diversification of the textile and apparel industry may be possible, and factory production of shoes and the manufacture of paper and paperboard from straw or poplar wood may be undertaken. One or two new cement plants are apparently going to be established. The production of metal from scrap and the gradual development of an engineering industry may also be contemplated. The manufacture of simple pumps and engines as well as spare parts is already being carried on by many small shops but the quality of output suffers from inadequate technical supervision. An adequately equipped and staffed

433 plant might be able to undertake the production of these items as well as the improved types of agricultural implements which, in accordance with our proposals, might be developed for use on Syrian farms. It should be emphasized, however, that future industrial expansion will need to be more selective and that projects will require careful technical and economic scrutiny to establish their suitability for Syria.

We conclude, therefore, that improvement in efficiency and more careful, selective expansion are the principal problems which Syrian industry faces. To meet these problems we have a number of recommendations involving (1) increasing exposure of industry to foreign competition, (2) development of a larger market for industrial products, (3) establishment of an investment bank to provide technical and financial assistance to industry and (4) improvement in vocational education.

Protection of Industry

433 654 651 451 Syrian industry today is in many ways shielded against foreign competition. Protection of this type is a relatively recent phenomenon, dating only from 1949. Before that time industry had developed with little or no government assistance. Prewar tariffs were moderate and essentially revenue-producing in character. Virtually the only concessions to industry were lower duties on plant and equipment and raw materials. The rapid expansion of mechanical manufacturing occurred at a time when there was little competition from abroad. During the war imports were largely impossible and in the immediate postwar years the demand for manufactures was such that rising imports were not incompatible with the continued development of domestic output. With the relaxation of foreign exchang[illegible]ctions in 1948 and an increasingly abundant supply of manufact[illegible]n the world market, Syrian industry finally began to suffer from foreign competition. In 1949 the government came to the rescue by providing industrial establishments with facilities to obtain state-guaranteed loans at low interest rates from the issue department of the Banque de Syrie et du Liban. Pressure for more effective protection of industry was instrumental in terminating the customs union with Lebanon, which as a trading nation was interested in keeping tariffs moderate. Following the dissolution of this economic union in March 1950, import duties were generally raised and in many cases almost doubled. In 1951 tariffs on such articles as textiles, glass and soap were again sharply increased and the

first import embargoes were imposed. In 1952 a large number of imports 433
were prohibited and a *de facto* sugar trading and manufacturing monopoly 654
was instituted. The following year, however, the Minister of Economics 651
was deprived of discretionary authority to impose embargoes, and a number 457
of prohibitions were subsequently lifted. Even so, import embargoes are still applied to such consumer goods as cotton hosiery, socks and stockings, "job lot cloth," second-hand cotton and silk clothing, men's shirts, vegetable oils, various soaps, margarine, canned vegetables and fruits, confectionery, glass and glass products, match boxes and match wood, matches, pins, wooden furniture and boots and shoes. These protective measures have been supplemented by controls over exports of certain raw materials designed to give domestic industry preferential access to available supplies. Importation of ginning machines was prohibited to safeguard existing enterprises, and imports of second-hand looms and knitting machines were stopped, to insure the installation of modern machinery. In 1952 the government also initiated licensing of industrial establishments for the purpose of preventing overexpansion and ill-considered ventures. During the same year more positive assistance was provided by enacting a law for the encouragement of industry which extended a number of benefits to new enterprises and extensions of existing plants.

The mission has no doubt that some protection of industry is justified, particularly in underdeveloped countries which need time to raise labor, technical and managerial skills to a level approximating those in the more advanced industrial countries. As we have already pointed out, the types of industry developed in Syria are generally of a character to warrant the expectation that they can ultimately stand on their own feet. This goal, however, will not be reached as long as production is as effectively insulated against outside competition as at present. The present system of exaggerated protection does not provide a sufficient incentive to raise efficiency and productivity. For Syrian consumers it involves excessive sacrifices in the form of higher prices and poorer quality. In recent years, for example, the Syrian government has found it necessary to protect consumers by controlling the prices of such articles as vegetable oils, yarn and cement.

In view of these considerations we recommend in particular that the present import embargoes be abolished. In some cases it may be necessary to substitute import duties higher than those now included in the tariff schedule, but in those instances prohibitive rates should be avoided and

433 provision made for gradual reduction of the duties. At the same time we
654 suggest that the whole tariff schedule be re-examined. By and large it
651 cannot be said that the general level of tariffs is excessively high, particu-
457 larly since ad valorem rates are levied on imports valued at the official rate of exchange, and this entails an undervaluation of about 40% compared to the actual exchange rate. In fact, we recommend elsewhere that tariff rates be assessed on the basis of actual foreign exchange rates for the purpose of increasing government revenues. This should not be construed, however, as a proposal to raise all tariffs irrespective of their nature. On the contrary, we would suggest that, as part of the general revision of the schedule, those rates which are primarily protective in character should as far as possible be reduced for the purpose of encouraging outside competition and lowering prices. If necessary, such reductions could be graduated over a period of time.

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Possibilities of a Larger Market

The expansion and, above all, the diversification of industrial output in Syria is restricted by the rather small domestic market. In a country of only 3.6 million people with low purchasing power it is generally possible to manufacture only a limited range of articles which are used widely enough to warrant production on an economic scale. Broader industrial opportunities are likely to emerge only if a larger market is initially available. In the case of Syria it should be possible to establish such a market in cooperation with other Arab countries, all of which suffer from a similar handicap in the development of their industries. Over recent years the Arab countries have increasingly stressed their community of interest and the need for closer cooperation. The field of industrial development offers a particularly challenging opportunity for common endeavor. We do not suggest, of course, that the types of industrial enterprises to be developed by each country should be the subject of joint government decision. There should be consultation in cases where particular ventures are to be launched with special government assistance. In the main, however, the location and development of industry should be decided by the free play of competitive forces operating in a larger, common Arab market.

To a limited extent the Arab countries have already taken steps to develop such a market. Syria has concluded bilateral agreements with Lebanon and Jordan which free certain products from import restrictions

Other Industrial Policies

433 We now come to a consideration of certain other government policies 654 relating to industry. One of these pertains to the special benefits extended to new plants or extensions of existing plants under the law for the encouragement of industry enacted in 1952 and first applied in 1953. Among these benefits are a six-year exemption from the so-called "temettu" or license tax and from the tax on income from real property, and exemption from income tax for profits up to 10% allocated to reserves and used within two years for further expansion. Certain additional assistance is available for industries specially determined to be useful, namely a three-year exemption from all income taxes and exemption from customs duties on required machinery, tools and construction materials.

In general, we consider it appropriate to give such incentives to the establishment or expansion of industrial plants in a country like Syria where industrial development is still subject to considerable risks. We suggest, however, that the government replace the exemptions from the real property and income taxes with a scheme permitting industrial enterprises more rapid depreciation of plant and equipment for tax purposes. Some such scheme, coupled with a provision allowing accounting losses resulting from accelerated depreciation to be charged against taxable income for a limited number of years in the past and the future, would relate the amount of assistance more closely to capital needs than the proposed scheme does. It would provide an incentive for continuing expansion of industrial enterprises. In addition, we believe it would be easier to administer than the present provisions, which require tax authorities to determine what portion of the tax on income from real property and the tax on total profits is to be allocated to new plant and equipment as distinct from the previously existing investment.

The establishment of new industrial plants and the transfer of existing enterprises from congested urban districts might be considerably facilitated by the creation of industrial zones on the outskirts of the major cities. It would be desirable to develop a number of such zones in locations convenient both to labor residing in the city and to workers coming from the country. Normally it should be sufficient to provide land and public utilities in these zones on reasonable terms. To attract the smaller enterprises and shops, however, we suggest that small blocks of suitable workshop buildings might be erected for rent or for sale in at least one zone. This

433 654 would not only provide an incentive to the transfer of small manufacturing shops and enterprises from the center of the city, but might well incidentally stimulate new investment in modernization of their equipment. In this connection it is significant that the removal of tanneries from the center of Damascus to a special industrial zone has in fact been attended by the installation of a considerable amount of new machinery and a substantial improvement in working conditions. While it is possible that private enterprise might become interested in the establishment of such industrial zones and shops in cooperation with the municipalities, we have made allowance in our proposed development program for the expenditure of £S 1.8 million by the central government for this purpose.

433 656 In the expansion of new industry the question arises whether the government should exercise any control over the establishment of new enterprises or additions to existing plants. By instituting a licensing system in 1952 the government has in principle already assumed such powers. While they have apparently not been exercised in a restrictive fashion, we strongly doubt that any government under normal economic conditions should even assume such authority. Private enterprise will ordinarily better be able to determine the wisdom of proceeding with a particular venture than civil servants inexperienced in business. There may be special cases where excess capacity is so serious as to warrant government intervention but even then great caution is necessary lest the restriction of competition in the development of industry impair the possibility of attaining greater efficiency.

466 With respect to working conditions, the mission has a few observations. Syria has a rather liberal labor code for industry, limiting the working week to 48 hours, prohibiting the employment of children under 12 years of age and containing stipulations regarding dismissal and death benefits and maternity and sick leave. Minimum wages are also set by regional wage boards. In the larger factories visited by the mission working conditions appeared for the most part satisfactory. In a number of plants, however, we observed a lack of safety precautions, notably inadequate protection of workers from the danger of moving parts and of dust and humidity. This problem calls for attention. Another deficiency is the lack of thorough enforcement of the labor code. The degree of compliance in the larger factories is not unsatisfactory. In the smaller factories and shops, however, enforcement is inadequate or virtually non-existent. While we do not suggest that the provisions of the labor code could be enforced in all of the small enterprises, we do recommend that some attempt be made

457 Proper maintenance and repair of monuments is perhaps even more urgent,
658 since there is considerable deterioration at present. We accordingly recom-
172 mend that expenditures for this purpose be raised, on the average, approximately 50% over the next six years. A similar increase might be contemplated for excavation work which, as in the past, will presumably be carried out in cooperation with foreign archaeological missions. All this will require an increase in the subsidies paid to the Directorate of Antiquities out of the government budget to an average annual amount of approximately £S 950,000. The gradual growth in the Directorate's own receipts will probably suffice to cover necessary increases in administrative outlays.

[491] Poor roads now impede access to many interesting historical monuments. In addition to the recommendations on the national road network made elsewhere, we believe Syria would be well advised to spend about £S 15 million on the improvement of local roads of importance to the tourist trade. The access roads to the Krak des Chevaliers and Saint Simeon should have the highest priority.

457 Within the not too distant future the government should contemplate the establishment of a special office charged with the promotion of tourism. The cooperation and financial support of business groups interested in the tourist trade might well be enlisted. It should not only seek to interest the foreign tourist in the attractions of Syria, but also to make the Syrian people and Syrian officials more aware of the importance of the tourist trade and of making the tourist genuinely welcome.

Government Expenditures on Industry

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654 Although industry is preeminently a field for private enterprise, we have made in this chapter a number of recommendations entailing additional government expenditures. For the period 1955-60 these would total about £S 20.5 million, allocated as follows (in thousands of Syrian pounds):

	Total	Average annual
Manufacturing		
Investment bank	10,500	1,750
Industrial zones and workshops	1,800	300
Enforcement of labor code[a]	325	54

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	Total	Average annual
Tourism		
Rest houses and restaurants[a]	500	83
Directorate of Antiquities[b]	5,700	950
Tourist roads	1,500	250
Tourist office	200	33
Total	20,525	3,420

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[a] Additional expenditures beyond present levels.

[b] Including the entire government subvention to the Department of Antiquities as increased under our recommendations.

433 is still responsible for an important part of, and in some instances for the entire, production. Yet the use of power-driven machines is steadily growing and it is not unusual to find an expensive modern machine in a workshop with only five or six employees. This development will probably be accelerated as more and cheaper electrical power becomes available, but it is equally likely that some Syrian industry, although to a steadily decreasing extent, will remain in the handicraft stage for many years to come. This applies particularly to village industries (dairy products, dried fruits, rugs, etc.), which employ a considerable percentage of those who gain a living from some industrial occupation.[1]

Cotton Ginning

248 Ginning is a relatively new industry which sprang up after local cotton cultivation became prominent, and by 1953 was employing about 4,000 workers. The sharp rise in cotton production after World War II led to a rapid expansion of ginning capacity and, in 1950, to the introduction of some saw gins. There are now over 100 establishments, mostly in Aleppo, which concentrate on cotton ginning during the season commencing in September and ending in April or May.

According to the latest available estimates Syria has a total of about 1,750 roller gins and 64 saw gins with a lint capacity of 45-48 metric tons per hour. A report issued in September 1953 states that of the 1952-53 cotton crop of 176,000 tons of raw cotton, over 90% was roller-ginned and that saw gins were only used in the lower grades. Up to 10,000 tons of ginned cotton were used in Syrian textile mills; the remainder (about 50,000 tons) was exported.

The importation of cotton ginning machinery was prohibited by law in 1952; it is generally agreed that present ginning capacity is sufficient to deal with any anticipated increase in the crop for some time to come.

Textiles

258 *Spinning and weaving.* The manufacture of textiles is Syria's principal industry. Six spinning and weaving factories now produce cotton and

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[1] According to a study dated February 24, 1954 by Dr. Abdel Monthleb Boukari, "L'Artisanat Rural Traditionnel," 18% of the Syrian population is engaged in some kind of manufacturing industry of which 9.8% is in town industries and 8.2% in village industries. The mission was not in a position to check these figures.

Grain Milling

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The grain milling industry is spread widely throughout Syria. The Ministry of National Economy records over 360 small enterprises with a total of 311 mills and 257 cylinders, employing about 1,700 workers. Many of these are very small units driven by a diesel engine or by water power. In addition, there are five larger mills in Damascus, Aleppo and Homs fitted with modern machinery and employing a total of about 250 workers.

Other Industries

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Syria has many minor industries, some of long standing, others new. These include enterprises for the manufacture of paints and colors, biscuits, spaghetti, confectionery, metal containers, furniture, domestic utensils, liquid gas, alcoholic and other beverages, ropes, tiles, cement piping, plastics, cosmetics, cardboard, plywood, pins, nails and springs, and establishments engaged in refrigeration, processing of licorice root, casting of iron, brass and other metals, manufacture of hand and machine tools, repair of motor vehicles and accessories.

Deposits of asphalt near Latakia are being worked by a company which produces raw and processed asphalt and asphalt tiles.

II APPRAISAL OF INDUSTRIAL CONDITIONS

Location

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The Damascus, Aleppo and Homs-Hama areas are the main centers of manufacturing industry, a logical location in terms of accessibility of raw materials, communications, water and power services, skilled labor and the proximity of markets. These industrial towns, conveniently situated at a distance of less than 150 miles from the nearest seaports, and connected with these by road, rail or both, are the natural market places for agricultural products and the largest centers of consumption for manufactured goods. Latakia, next in importance, is a rapidly growing port town.

Raw Materials

433 Considering the present structure of Syrian industry, its supply of raw materials is generally speaking not unsatisfactory. In the preceding section we have referred to the import needs, if any, of Syria's principal industries. Most local and imported raw materials are generally available at competitive prices. The principal exception is sugar, the high price of which presents a serious drawback to the fruit canning, jam and candy industries. The prohibition of imports of cotton seed for industrial use hampers the ability of vegetable oil manufacturers to enter the export market at competitive prices. Some branches of the textile industry dependent on imported cotton yarn or cloth, subject to high customs duties, are in a similarly unfortunate position.

On the other hand certain laws or regulations in effect give some Syrian industries a right of first refusal with regard to locally produced raw materials; export of both ginned and non-ginned cotton, cotton seed, raw wool and raw hides, is subject to licensing, while export of timber and raw metals is prohibited. The efficacy and desirability of such measures may be questioned (see Section IV), but they are elements of the prevailing industrial climate.

The transportation of local raw materials to the industrial centers, where they are processed, is not unduly burdensome, thanks to the favorable location of Syrian industries in or near the producing areas. Moreover, the distances between these centers and the seaports are not too great. Nevertheless, transportation in Syria is relatively costly and an improvement in the transport sector would not only facilitate exports of surplus raw materials but would also benefit the processing industries and their competitive position.

Water and Power

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371 The main industrial centers are, generally speaking, well provisioned with water. Damascus has the best water supply among Syrian cities, thanks to the springs of Figeh. Aleppo's water supply, which was so inadequate that some factories had to select sites outside of the town where they could drill their own wells, has now been greatly improved by a link with the Euphrates River. Homs and Hama have more than sufficient water

resources in Homs Lake. The water rates charged by the municipalities 433
are by no means excessive. 312

With regard to electricity for light and power the conditions are, 371
however, much less favorable. The capacity of the municipal power plants in the four main industrial cities is far from sufficient to meet total consumption needs. Most of the larger factories have had to install their own power plants, which imposes an additional capital burden on them.[3] Factories which have no power plant of their own often suffer considerable losses resulting from breaks in the power and light supply. Electricity rates of public utilities, although higher in Syria than, for instance, in Lebanon, Turkey and Egypt, compare not unfavorably with those in the main Western industrial centers.

Equipment

The mechanical equipment of the major industries is in general good. 433
Obsolete or inefficient machinery is continuously being replaced by new 402
plant. Nevertheless, there are still many old factories and workshops where equipment is primitive and modernization is much needed.

Some industries, however, seem as a whole to be overequipped in relation to the available raw material supply or the market outlets for their products. A striking example is the installed capacity in the cotton ginning industry, which could handle between two and three times the present cotton crop. This is no doubt due in part to an overestimation at the time of the cotton boom. The government has accordingly prohibited the importation of cotton gins. In the case of the vegetable oil industry the installed capacity might be more fully utilized if cotton seed were freely importable and oil manufacturers could enter the export market for vegetable oils at competitive prices. As a complement to the protection of local cotton seed, the government has also placed an embargo on the importation of vegetable oils. A third instance of overequipment is in the glass industry: the Damascus factory was designed and installed on the basis of the rather ambitious notion that it should serve most of the needs of the Middle East. Some of its machinery, as for instance that for the manufacture of electric bulbs, has never been in operation. Although most of the items it produces may not be imported into Syria and although recently

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[3] See Annex G, p. 413.

433 exports to Lebanon and Jordan, where its glass is admitted duty free, have
402 been increasing, the plant is running much below capacity. A fourth instance is the match industry, which has a capacity much in excess of the requirements of the home market. This industry is also protected by an embargo on imports but prospects for increasing exports are practically non-existent; European matches are of better quality and have captured the Jordan market, Lebanon produces its own and Iraq is putting up a match factory.

Among the industries in which the greatest expansion is taking place, the cement industry ranks first. After completion of proposed extensions, the combined capacities of the Damascus and Aleppo factories will be about 400,000 tons in 1955 as against 240,000 tons in 1953. It is difficult to estimate Syria's cement requirements in the foreseeable future. In 1953 these amounted to 320,000 tons, of which 120,000 tons were imported, but it is probable that even if the present rate of private urban building is not maintained, some increased demand will result from the construction of public buildings, the creation of new settlements, improvements in rural housing materials, the extension of irrigation and improvements in the road system. Since several Middle Eastern countries have their own cement factories (Lebanon has long had a large cement factory, Jordan has just completed one and Turkey has a number under construction), it is doubtful whether Syria will be able to maintain its small export trade.[4] Although the 1955 total production capacity may somewhat exceed the requirements of the local market, the planned extensions do not seem unreasonable and may even contribute to more efficient operation and lower unit costs.

288 The textile industry is expanding capacity by increasing and moderniz-
402 ing equipment. The existing plant is operating at full or almost full
439 capacity, three working shifts being general in the spinning and weaving
433 factories.

In 1953 and through 1954 several tens of thousand additional spindles, several hundred new automatic looms and numbers of knitting machines were installed and optimistic opinions were expressed as to the usefulness of considerable further extensions. Their justification depends on the development of the home and adjoining markets. Syria is approaching self-sufficiency in cotton textiles and the prospects for exports appear promising only in certain specific brands. Only cotton yarn of the higher counts is imported; exports are insignificant. Imports of cotton cloth are

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[4] 1,000 tons in 1952; 24,000 tons in 1953.

larger, and exceed exports which have been falling off. On the other hand, 288
exports of knitted, cotton and rayon goods and other articles of clothing, 162
garments, underwear and socks exceed imports by far. 157

It should be kept in mind, however, that the entire cotton textile 153
industry is well protected. Imports of yarn and cloth are subject to rather [51]
high import duties: 45% ad valorem (about 33% at the free rate of the Syrian pound); duties on fine cotton yarns are substantially lower. In contrast, rayon and woolen yarns are duty free. Socks and stockings (except those made from woolen yarns), men's shirts and pyjamas for men and women may not be imported. This protection, though helpful to the home market, hampers the export trade, particularly in finished goods. This is especially so of those goods requiring use of imported materials in their production; no adequate tariff rebate is given on foreign materials in the exported finished goods. Syrian shirt manufacturers, for instance, claim that with existing machinery they could easily double their production and compete in the export market but for these unfavorable conditions. Although most of the surrounding countries heavily protect their own textile industries, some of Syria's finished textile goods seem to be in a position to compete on the international market to the extent that the component materials are not burdened with protective duties.

In the dyeing, printing and finishing industry—which for a long time lagged behind—a considerable expansion is still anticipated and seems fully justified. Additional machinery was being installed to make possible a full three shifts.

The worsted and woolen cloth industry is not as well equipped with modern machinery as the cotton textile industry. Although the existing plant operates little below capacity and imports of cloth are rather significant, the industry shows no great inclination to expand. Despite the fact that imported yarn is duty free and imported cloth is subject to a rather high tariff, there is keen foreign competition by Italian cloth in the cheaper ranges, British cloth in the higher class and by second-hand suits from the United States. Complaints were heard that the transport charges on the bulkier imported yarns weigh heavily on the industry in comparison to the cost of transporting imported cloth. This drawback seems difficult to overcome. Exports of woolen yarns and cloth have been running well under 7%, by value, of imported yarns and cloth, and in view of the factors mentioned above, no large expansion of exports is to be expected. For recent figures, see Table 1 of the Appendix.

255 The manufacture of silk and artificial silk brocade, mainly as a luxury
402 export, employs only a few mechanical looms; hand looms are still in the
433 majority. The existing capacity seems to be adequate to meet the demand which, because of the high price of the goods produced, is bound to be fairly restricted. Trade figures, however, reveal a trend towards increasing exports of the less expensive types of cloth made from cotton or rayon or a combination of both materials. Recent export and import figures are given in the Appendix.

265 For one of the factories in the new and continuously expanding rubber
402 boots and shoes industry, most of the machinery (except the cutting and
433 sewing machines) was made in small local engineering shops and assembled at the factory by the company's own labor. It is somewhat primitive, although the goods produced are of reasonable quality. The installation of modern foreign machinery would considerably increase production and reduce labor costs. This industry is protected by an embargo and has a small export trade with surrounding countries. Shortage of capital seems to be the main impediment to faster modernization.

Capital

472 The original capital of most of the larger Syrian industrial enterprises
454 was put up either by a single family or a small partnership and in general the expansion reflected the amount of earnings retained in the firm. Even in the rather exceptional case in which an enterprise was corporate in form (*société anonyme*), it usually maintained in substance a privately owned and privately financed character.

454 This pattern of organization and growth is equally true of the majority
471 of industrial firms created since 1945, among them the largest in Syria. Some of these began on a large modern scale, requiring both heavy investments and several million £S of original capital for their financing, and although generally incorporated with a certain spreading of stock in some cases, the company much more often was owned or largely controlled by one or a very few persons. This situation reflects the prevailing distribution of wealth, the reluctance to participate in business without control, the unfamiliarity with stock, the lack of a well organized capital market, particularly for equity investments, and last but not least the preference for large and quick returns on savings, for which there were, at least in the

first postwar period, ample opportunities outside industry (trade, agriculture and real estate). 454 471

The main source of the capital which founded these new industries 464
was commercial profits accumulated during the war by Syrians in and outside Syria; a certain amount of Lebanese capital seems to have been contributed. Many companies were able to operate with the capital originally subscribed, but in some cases the paid-up capital was mainly or entirely absorbed by land, buildings and equipment, leaving little or nothing for working capital. The mission encountered several instances in which working capital had been supplied by banks on an overdraft basis at a rate of 5% to 7%, but mostly for rather limited amounts only. In a number of cases, however, when larger amounts were required, industrial firms had recourse to a scheme of government-guaranteed industrial credits introduced in 1949. Although it was reserved for industrial corporations and thus did not cover the needs of the large majority of Syrian industrial enterprises not organized in that form, it has been very helpful to the companies which were able to benefit from it while passing through a difficult initial period of inadequate financial resources. Such credits were made available by the Banque de Syrie et du Liban for three years (now renewable for an additional five years) at the low rate of 3%.

Most Syrian industrialists, hard working and thrifty as they are, prefer to forego paying dividends rather than remain indebted or incur new indebtedness with banks. In most cases loans for working capital are paid off as soon as possible; new machinery is generally purchased with plowed-back earnings and often reserve funds are formed with a view to making further extension or modernization. In several instances the originally subscribed capital has been increased by issuing new stock to the old shareholders. The government-guaranteed loans, on the other hand, are so exceptionally attractive that in the difficult circumstances at the time the plan was initiated there was a great readiness to apply for them and later to have them extended. However, during the last few years the government has become more reluctant to give this scheme a wider application. The total amount which can be guaranteed is now limited to £S 15 million. At the end of 1953 loans outstanding amounted to £S 13.4 million.

On the whole, the development of Syrian industry has been on a sound 433
basis from the financial point of view. True, one frequently finds consid- 454
erable amounts of loan debts on the balance sheet of industrial corpora-

#53 tions; these, however, often represent contributions to working capital by
#54 members of the owner-family or an inner circle of controlling shareholders who for various reasons prefer this technique to accepting additional stock. This may be an unfortunate situation from the legal point of view, although in practice it does not seem substantially to weaken the continuity of the capitalization. The government-guaranteed loans may be subject to criticism, particularly with regard to the applicable interest rate, which is much below that reasonably to be expected in a country where capital is relatively scarce. However, thanks to the provision that in each case these loans may not exceed half the paid-up capital of the borrower, they have not dangerously affected the financial structure of the companies concerned. Yet the mission feels that the entire system of government-guaranteed industrial loans financed by the BSL does not at this stage provide an appropriate and adequate solution to the problem of supplementing the traditional means of financing industrial development.

#33 Although the larger gaps in the main fields in which conditions for modern industrial production are reasonably favorable have either been filled or are rapidly being filled, the industrialization movement is far from being exhausted. All the evidence indicates that it will continue to spread, though probably at a slower rate than in the years immediately preceding 1952 and along more selective lines. With the limits of the home market within reach or already reached, further development of existing industries will depend largely on their success in attaining a higher degree of efficiency and reducing production costs. In view of these trends and requirements the mission is of the opinion that a specialized credit institution is needed to furnish both technical assistance and industrial banking facilities, to the extent that these are presently lacking, and to provide a firmer basis for further investment financing. A more detailed proposal for such an investment bank will be found in the Main Report.

Labor

#64 According to an official estimate, the number of workers employed in Syrian industry (excluding electrical productions, commerce, etc. and enterprises employing only family members) is approximately 70,000. In some industries, particularly in the textile sector, the supply of skilled labor is barely sufficient for present needs, but unskilled labor is generally

465 £S 5-7. For exceptionally heavy work daily wages up to £S 9 are paid. Foremen and managers receive from £S 10 upwards. It is far from certain whether the smallness of the wage offsets the low labor productivity. Employer-employee relations appear to be fair and on a democratic basis.

Management

464 Industrial management presents some striking contrasts, as pointed
913 out in the Main Report. It is commendable that, in order to accommodate students who may serve as future industrial managers and top technical staff, the scope of the Engineering College of the Syrian University is being widened. In the past, only civil engineering has been offered but in the near future mechanical, electrical and chemical engineering will be included in the syllabus. In due course this will increase the local supply of trained personnel for industry and thus help overcome one of Syria's greatest deficiencies. Although this will make technical knowledge more readily available at lower cost, it would be very helpful if an institution were established to give technical, economical and financial advice on a consultant basis. This is one of the functions the mission has in mind to be performed by the proposed investment bank.

The mission observed that there are many weaknesses which could be avoided by more careful planning and by a better understanding of the various factors which make for higher efficiency. The proper estimation of the size of the market and the production capacity required to satisfy it, the quantity and quality of the necessary raw, or partly processed, materials and their sources and rate of supply, the utilization of waste products, quality control of the end products, analysis and control of costs and the application of budgeting could in many cases be introduced or greatly improved. Again, the great influence of working conditions on efficient production is often insufficiently recognized.

It was pointed out earlier that the basic industrial factors are, generally speaking, not unfavorable. It is the problem of raising the standard of efficiency generally that should receive primary consideration, preceding, in most cases, the provision of greater capacity. This conclusion stresses the urgent need for more and better qualified managing personnel, trained in modern industrial methods through frequent contacts with the West, and for intensified technical assistance.

14:International Bank S-5 (1954) 1955 MD1 Syria MD1

Profitability

The profitability of Syria's industry varies widely from one industry to another and in some cases even within an industry. Differences in the quality of management may produce a marked variation in profits. 433 434

Some indication of profits is given below. Generally the data have been obtained from profit and loss statements which are not always clear. Profits are defined as earnings after taxes but before deductions for assignment to compulsory reserves and allocations to the boards of directors.

The cement industry is by far the most profitable in Syria. Quoted prices of shares of the two cement companies increased by about 100% between 1951 and 1953. The Aleppo company earned 25% on its paid-in capital during 1952, the first full year of operation. Profits earned by the Damascus company amounted to 22% on paid-in capital in 1950, 34% in 1951 and 48% in 1952. In 1953 it was able to increase its capitalization from £S 6 million to £S 9 million out of accumulated profits.

In the textile industry (spinning and weaving), profits have varied widely. One of the more successful firms in Damascus earned 9.3%, 17.7% and 22.9% on its paid-in capital in 1950, 1951 and 1952 respectively. One of the largest Aleppo companies earned about 30% on its paid-in capital in 1950 and 1951 and a little over 12% in 1952. On the other hand, another large Aleppo company suffered consistent losses amounting to a total of £S 1,826,550 in the years 1949-52 inclusive, while a third Aleppo company of more moderate size was liquidated in 1953 after losses totaling £S 911,233 in 1951 and 1952.

The hosiery industry appears to be doing well, one concern having earned about 20% on its paid-in capital in 1953. Little is known, however, about the profitability of this branch of industry in general.

The clothing industry (suitings, underwear, shirts, pyjamas, etc.) appears to be moderately profitable.

Profits data for the canning industry are also largely lacking. One company in Damascus earned 13.8% on its paid-in capital in 1952. Another, also in Damascus, apparently had profits of less than 3% in 1953.

The sugar company at Homs has earned modest profits in recent years. After initial losses in 1949 and 1950, the company earned about 3% and 6% on paid-in capital in 1951 and 1952 respectively. Presumably profits continued to increase substantially in 1953.

433 434 The vegetable oils and soap industries have not generally been very profitable. One of the larger Damascus companies had substantial losses in 1949 and 1952. In 1950 and 1951, however, it earned 20% and 30% on its paid-in capital. One of the more important companies in Aleppo apparently barely broke even in 1951 and 1952 and suffered severe losses in 1953, so that it was reported to have gone into liquidation in 1954. A new Aleppo company which started operating in 1952 apparently has been somewhat more successful to date.

The large glass factory near Damascus earned profits of about £S 200,000 on £S 7 million paid-in capital in both 1952 and 1953. Prior to these years of modest profits it consistently suffered losses except for the year 1950 when it showed a net profit of £S 183,140.

On the profitability of tanneries there is little information, although one evidently earned almost 7% in 1952 and 14% in 1953 on its paid-in capital.

The rubber shoe industry is apparently highly profitable, if one can judge from the data available on one company which earned almost 55% on its paid-in capital in 1952, and approximately 85% in 1953.

The match industry is suffering from overcapacity and, owing to keen competition, seems to have made little profit in recent years.

For other industries, such as milling, beverage, paints, etc., no information is available on profits.

III GOVERNMENT AND INDUSTRY

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The relations between government and industry in Syria will be discussed under the following headings: (1) tariff policy and embargoes, (2) credit facilities, (3) fiscal privileges, and (4) other controls and incentives.

Tariff Policy and Embargoes

Syria achieved customs autonomy for the first time in recent centuries in March 1950, with the termination of the Customs Union with Lebanon. As a natural consequence, each country began to apply its normal tariffs to imports from its former partner. Only a few days later, the Syrian tariff on imports of certain foreign products which competed with local industry

and exports was subjected to the approval of the Council of Ministers. This 651
was followed by the withdrawal of embargoes on various non-competitive 652
imports, higher tariffs being substituted in some cases. 452

As of autumn 1954 all embargoes on imported goods which directly compete with national products were still in effect, with the exception of the embargo on men's shirts, underwear and pyjamas. Imports of cotton gins are forbidden, to prevent further overexpansion of the ginning industry, and the importation of second-hand looms and knitting machines is prohibited, to ensure the installation of new and modern machinery; importation of almost all items, including machinery, is still subject to licensing. There has been almost no change in the list of prohibited exports or of those which must be licensed. Although the export tax on wheat has been repealed, cotton exports are still taxed; there were certainly good financial reasons for this, but it means in fact a continuation of the element of protection which this duty represents, in favor of the local cotton processing industry. On the other hand, products subject to an embargo or high protective duties are no longer subject to price control. The government is now relying on the effect of internal competition.

Credit Facilities

During the mandate, in 1929, the Syrian Government instructed the 652
Minister of Commerce and Agriculture to establish an industrial bank 453
with a capital of £S 500,000, in which the government was to participate; this was never done.[8]

Not until 20 years later, in June 1949, was the Minister of Finance authorized to guarantee loans to Syrian industrial corporations (*sociétés par actions*) for their first installation or to enable them to continue operations. The amount to be reimbursed under the guarantee could not exceed half the paid-up capital of the corporation and the period of repayment was not to be longer than three years. Eligibility of applicants, their needs and the conditions of both loan and guarantee were to be determined by a special committee; the Minister of Finance was authorized to require a mortgage on the property of the corporation, the mortgage to have preferred position.

Of the 18 loans totalling £S 23.627 million made by January 1952,

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[8] *Le Rôle du Crédit dans le Développement Economique de la Syrie.* Moh. Thome, Madrid, 1953, p. 157.

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seven were for over £S 1 million to 10 corporations. One large Damascus corporation received two loans totalling £S 7 million. The sectors of industry to which loans were made were, in order of magnitude, textiles, sugar refining, vegetable and fruit canning and glass; a minor amount was loaned for manufacture of liquid gas and mechanical equipment. The terms on which all of these loans were made were considerably easier than those prevailing on the capital market, the rate of interest being only 3%.

By the time repayment was due, the general attitude of the government towards industry had become so favorable that beneficiaries, if they wished it, had little difficulty in securing an extension.[6] In 1952, extension of the period of repayment for five additional years was authorized, and "guaranteed companies" might thereafter be allowed to distribute dividends out of net profits in stated circumstances. Any guaranteeing of new industrial loans was forbidden.

By legislation in January 1954, the scheme was revived and even extended to include loans for the financing of big hotels, provided, however, that the total amount of the loans outstanding and guaranteed to industry and hotels should not exceed £S 15 million.

Fiscal Privileges

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Until 1949 fiscal facilities favoring industry were restricted to special customs provision applying to imported tools, machinery, apparatus and materials for industrial requirements; in stated circumstances, they might be subject to a tariff of only 1%.

An act of 1945 exempted new construction, for two years, from the tax on income from real property. In 1950, the exemption was explicitly applied to new factories and workshops, beginning with the financial year following the completion of the projects.

On September 27, 1952, Legislative Decree No. 103 (on the encouragement of industry) granted to all registered industrial establishments, effective with the 1953 fiscal year, the following privileges under certain conditions:

1. exemption from customs duties on machinery, tools and equipment

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[6] It is noteworthy that at that time the large Damascus corporation mentioned above had converted its £S 7 million guaranteed loan in an overdraft of the commercial type with the Banque de Syrie et du Liban. As a result, the total guaranteed amount outstanding had dropped to £S 16.627 million.

imported for the requirements of the enterprises; the industries and the 654
imports as well as the quantities benefitting from this provision are deter- 433
mined by the Council of Ministers on the recommendation of the Ministry of National Economy;

2. exemption for six years from the tax on income from real property, for new construction in factories, administrative buildings and housing for workers and employees connected with the establishment, and industrial machines and equipment housed in these installations; the existing two-year exemption of new factories and workshops was extended for the same six-year period;

3. exemption from income tax for reserves up to 10% of annual profits, devoted within two years to the further expansion of the industrial establishment;

4. exemption from the "temettu" tax for six years from the beginning of operation; and

5. exemption from the income tax for three years from the beginning of operation in the case of industries needed by Syria or which had not been established there on the specified date.

These privileges are also applicable to additions to existing factories and industrial plants. On the other hand, an industrial establishment which suspends operations for more than a year and a half without an excuse accepted by the Ministry of National Economy loses its exemptions.

Proprietors of beneficiary industrial establishments must, among other things, furnish complete information and accounts of their enterprises, and must use the machines, equipment and construction materials which qualify their enterprises for the exemptions.

The granting of the privileges under (1) and (5) calls for a decision of the government, which can be based on the preceding appraisal of the project as required under the law on the regulation of industry, discussed in the following paragraph. The other privileges are extended automatically.

Other Controls and Incentives

The registration of industry. Following the opening of a general 656
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public register of manufacturing enterprises in 1949, a 1951 decree introduced a system of special registers for every local industry. Anyone starting an industrial establishment in Syria must present within one month

after beginning operations to the Directorate of Industry of the Ministry of National Economy or its local representative in the mohafazat, information on (a) the legal status of the establishment, its address and that of its main office; (b) the goods it produces; (c) the nature, number and power of its motors; (d) the nature, number and capacity of its productive equipment; (e) the number of working hours per day and week; (f) the number of workers employed; and (g) all other information which the Ministry may require. All industrial enterprises established at the time were required to register within three months. Every change or modification taking place in the stated data has to be indicated within one month.

The mission was informed that the registration has encountered considerable difficulties because of a wide-spread reluctance to disclose to the authorities the required data, even though they are confidential and for statistical purposes only. As a result the statistics based on the registration are not considered to be fully reliable.

The regulation of industry. The year 1952, when protectionism reached its peak, also brought a thorough regulation of industrial enterprises as such, with a view to orienting industrial activity toward the needs and interest of the country.

The establishment of any form of industrial enterprise is subject to licensing.[7] The applicant is required to submit a detailed report on his project covering (a) the name, nationality and residence of the owner; (b) the type and location of the proposed establishment; (c) the capital to be devoted to the enterprise; (d) the type, number and power of the proposed machines and their capacity; (e) the number of employees and workers; (f) the study made by the applicant underlying his decision to establish the enterprise; and (g) any other information required by the Ministry. Owners of industrial enterprises who wish to expand their establishments either by adding to the machine park or by extending their operations to other lines of production must also obtain a license. Industrial establishments in existence when the decree was issued are considered to be authorized, but have to obtain a certificate of registration from the Ministry of National Economy within six months, or thereafter apply for a license.

No detailed information is available on the manner in which the regulations are applied or as to the principles governing the decisions of the

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[7] Corporations (*sociétés anonymes*) require a special authorization by the Ministry of National Economy.

authorities. The mission was informed, however, that practically every 656
handicraft application for an industrial license is approved. With regard 433
to industry proper, applications have been turned down for various reasons. The main criteria seem to be whether the local market can absorb the additional production and whether the new or expanded industry can be expected to increase exports, especially to the Arab countries.

Facilities with regard to industrial sites. By the decree on the encouragement of industry, the government opened facilities for settlement on state domain land. The proprietor of an industrial establishment who wishes to construct a building for industrial exploitation may rent up to 25,000 square meters with a five-year option to purchase land belonging to state domain, on conditions to be determined by the Directorate of State Domain. The beneficiary is not allowed to sell or utilize this land for non-industrial purposes and the State may recover ownership of land not used for industrial construction or expansion within five years.

These provisions represent a real contribution to a reduction of the cost of establishing new industrial enterprises and to the better siting of existing ones.

Export promotion. The laws on the regulation and the encouragement 654
of industry contain several provisions, already mentioned, which permit 433
the authorities in their discretion to grant certain privileges and other 439
facilities to industrial enterprises in the interest of the national economy. We understand that the authorities have several more specific objectives in mind, including the promotion of industrial exports.

Besides these measures, which have been in existence for only two years, the Syrian Government has for several years been actively engaged in negotiating foreign trade agreements with Arab and other countries[8] with a view to promoting exports generally. Since gaining its independence Syria has made commercial agreements with Saudi Arabia, Egypt, Jordan and Lebanon among the Arab countries, and with India, Greece, Czechoslovakia, Yugoslavia and Japan. Several of these treaties include special privileges for Syrian industrial exports, either assuring them most-favored-nation treatment or exempting specific Syrian products from import restrictions or allowing them tariff reductions or exemptions. Agreements in 1953 with Lebanon and Jordan exempt some local industrial products from customs duties or apply reduced tariffs, and provide

[8] Formerly, under the mandate, commercial treaties could be concluded only with neighboring countries and countries not members of the League of Nations.

industry. It is not surprising that the exposure to strong foreign competi- 656
tion created a serious situation for various new industrial enterprises, or 433
that the government began to give industry greater protection and encouragement. It appears, however, that since the middle of 1951 government policy toward industry, particularly—but not only—in the field of foreign trade, has tended more and more toward the aim of national self-sufficiency in products which can be locally manufactured rather than toward development in an international economy. We think that the former opens definitely less perspective both for a rise in the standard of living and for the future of Syrian industry itself. Therefore we recommend a reconsideration of the policy and the measures under discussion.

The priority given to national self-sufficiency has resulted in extensive public control over industry. The Syrian home market is relatively small and it has already been pointed out that several industries have reached a productive capacity which meets or even surpasses the effective domestic demand. The measures of "restriction" and "reservation" tend to make Syrian industry dependent on internal controls which are very difficult to administer and carry the danger of submitting the government to pressure groups. The exclusion of foreign competition which frequently accompanies this policy weakens the stimulus to increased efficiency and lower costs, to the detriment of the consumer and the competitive position of Syrian industry in the outside markets. Internal competition, even if it remains free, can only be a poor substitute, being affected by internal cost factors and their elasticity in a protected economy.

The mission feels that industrial policy should be reoriented toward freer, rather than centrally controlled and protected development, with a view to achieving further progress in an international economy. Only thus will Syrian industry become a supplier of manufactured goods of satisfactory quality at reasonable prices, able to expand beyond the limits set by the internal market and to earn foreign exchange by the value it adds to indigenous and imported materials.

The reorientation which we have in mind does not require the government to withdraw all regulation, protection or other encouragement of industrial enterprise, leaving free competition and international prices to organize and guide Syrian industrial production. Even in more advanced countries, with a much more diversified and stronger economy, such a policy is now rarely applied. Infant industry protection, as a means of assisting well-chosen industries to overcome temporary disadvantages and

656 allowing them time to build up an international competitive position, has 433 long been considered a legitimate instrument of economic development. Even well-established industries may require a certain safeguarding against specific forms of internal and foreign competition which do not make for sound and resistant economies with a sufficiently diversified economic and social structure. On the other hand, making due allowance for social and cultural considerations, industrialization should not be an objective in itself to be pursued irrespective of its economic cost to the national community, or without regard to its impact on the subtle balance between economic freedom and economic control.

On the basis of these general considerations the mission makes the following more specific comments on the government's present policy towards industry,

The registration of industry. Up-to-date and reliable information on the structure and operation of industry for statistical purposes is indispensable as a source of instruction and a means of guiding important decisions for the business community itself as well as for the government. In Syria there were until recently no industrial statistics, and the government deserves credit for having tried to remedy this deficiency.

The extensive procedure instituted by the 1951 law, however, is difficult for industrialists to accept, overestimates the capacity of the administration responsible for its execution and seems to fall short of reaching the objective. The relations between government and industry in this regard would be better served and a more fruitful cooperation could probably be expected if the information were to be filed with, elaborated and made available by the Central Bureau of Statistics in a form which does not disclose individual data even to the Ministry of National Economy. The Bureau should enjoy a large amount of autonomy and be so organized and equipped as to win the full confidence of both the government and the business world. Such a system exists and operates very satisfactorily in many other countries and the mission recommends that Syria draw on their experience.

This does not mean that if a particular industry or industrial enterprise requires special government assistance or control, it should not provide the responsible authorities with all the information which they may require.

With regard to the statistics concerning industry, which are particularly necessary, a distinction can be made between those requiring current information (e.g., industrial output, raw materials consumed, workers employed, the amounts invested and their sources (internally or externally financed)), and such data as the number and size of establishments, their capacities, their technical and financial structures, and their organization within the framework of existing legislation. It is suggested that it is not equally essential that the latter data should be available annually and it should be sufficient to require their collection and elaboration every few years only. The mission recommends that such a distinction be made, that those statistics which have a direct bearing on policy decisions be given priority and the reliability of statistical information be given more weight than its extensiveness.

The regulation of industry. Although special conditions, such as rapidly changing techniques and market conditions, sometimes necessitate limitations on freedom of industrial establishment and industrial investment, if the benefits accruing from actual achievements are not to be offset by high costs from a social point of view, the mission is of the opinion that under present conditions freedom of enterprise should be the rule and regulation the exception. Before industrial licensing was introduced Syrian industry had, generally speaking, done a reasonably good job and shown a considerable degree of sound initiative, fair judgment and flexibility. It is true that in certain branches there had been overexpansion and mismanagement, but under a system of private enterprise such things cannot altogether be avoided. The danger is great, on the other hand, that the licensing decree will reduce initiative by substituting far-reaching control on establishment and expansion by public officials, devoted and faithful as they may be, for decisions by risk-bearing private entrepreneurs. Moreover, quite apart from the advisability of such a policy, it is doubtful whether the government has experience necessary for judicious control of the entire field of Syrian industrial enterprise and regulation of all industrial investment activities according to the needs and interests of the country.

The mission therefore recommends a return to the principle of freedom of industrial enterprise and that the licensing of new industrial establishments and the control of industrial investments be limited to special cases[a] in which the public interest requires such exceptional provisions. Furthermore, such provisions should be temporary, permitting periodic re-examination of the need to continue them. It is also suggested that before deciding

[a] Such as excessive over-capacity which would perpetuate itself even under free competition.

656 on the introduction or continuation of these measures with regard to a
433 branch of industry the government take the advice of a standing commission in which, besides various occupational groups, independent economic experts would ensure a well-balanced opinion with due consideration of all the aspects involved. Finally, it seems desirable that decisions on the issuance and cancellation of licenses by the Ministry of National Economy should be governed as much as possible by general and public directives applied without discrimination.

654 *The encouragement of industry.* In many underdeveloped countries
433 it is believed that acceleration of economic progress demands at least a shift in emphasis from primary production in favor of basic and manufacturing industry, to lessen dependence upon the already developed countries. When private initiative seems to be insufficiently vigorous, it sometimes happens that the government takes the lead by establishing publicly financed state factories and other state economic enterprises. This was done in Turkey, for instance.

The Syrian government has, however, taken a different course. Although it nationalized the foreign-owned public utilities it did not, except in one ill-fated case, itself enter the field of industrial operations by establishing factories. Instead, in various ways it encouraged private industrial enterprise, which, after all, had demonstrated its energy in promoting industrialization. Moreover, most of these measures, particularly those aimed at stimulating new industrial establishments and expansion of existing ones, were introduced only when industrial development began to show signs of stagnation during 1952.

The mission takes a favorable view of the basic principle of Legislative Decree No. 103 of 1952. In many countries at an early stage of development, a considerable and often disproportionate part of national savings tends to be invested in residential real estate or to flow into commercial or financial enterprise. Under such circumstances special incentives to induce a larger portion to be invested in industry, where they would probably make a greater contribution to the productivity of the economy, are certainly justified. We have no special comment with regard to the provisions for industrial sites. With respect to the fiscal privileges, however, we have some specific recommendations.

It seems reasonable for an underdeveloped country to exempt from customs duty imports of machinery, tools, equipment and construction materials not locally produced. In Syria decisions as to the industries and quantities to be exempted have been made by government officials. The mission suggests that for the system of individual decisions involving political judgment there be substituted in the law itself a general exemption provision on as liberal a basis as possible. 654 433

We cannot endorse the temporary exemption from income tax for new firms and for profits on new investment by existing firms. Our chief objection to these provisions is that an income tax exemption leads to rather irrational and sometimes inequitable results. It is obviously most important to the companies realizing the highest profits and it is of no value to those making no profits during the period of exemption. Furthermore, with a graduated tax such as Syria's, large firms benefit more from the exemption than do the small- and medium-sized firms. The exemption of profits derived from expansion of existing businesses, as distinguished from exemption of new firms, presents serious administrative difficulty in connection with the allocation of total profits between the new and the old part of the business. No fully satisfactory solution for this problem can be found even when both administrators and taxpayers are highly skilled and sophisticated in accounting techniques. Yet it would be undesirable to confine the concession to new firms, since additional investment in an established business may often be more productive than the same investment in a new business, especially where, as in Syria, there is a shortage of experienced managers. 654 433 651

The simplest way to achieve most of the benefits of temporary income tax exemption without its disadvantages and difficulties appears to be through liberalization of the depreciation or amortization allowances under the income and profits tax. In other words, the taxpayer should be allowed to write off against taxable income the original cost of plant and equipment in a period shorter than the normal useful life. For any given asset, accelerated depreciation results in a postponement, rather than a complete cancellation, of income tax liability but the investor can extend this postponement indefinitely by acquiring new assets when the first group has been written off for tax purposes.

Accelerated depreciation reduces or eliminates the chance that the income tax will prevent recovery of the capital outlay. For a rapidly growing firm it may offset taxable income and thus be virtually equivalent to exemption. The concession is automatically cancelled if the firm ceases to expand. Accelerated depreciation puts the emphasis on new investment, whereas tax exemption may grant unnecessarily large benefits to highly

654 profitable firms which do not choose to expand. Furthermore, depreciation
433 raises no great administrative difficulties.

651 Our recommendation would provide a fairly effective substitute for income tax exemption, especially the recommendation that the tax on non-agricultural real estate be transformed into a tax on a true net income is also adopted. We realize, however, that a special problem arises in adapting the accelerated depreciation approach to Syrian conditions. Businesses with gross receipts of less than £S 25,000 per year pay an amount equal to 50% of the temettu tax in lieu of the regular income tax. Since these firms do not compute net income or depreciation allowances they could hardly be brought under the general scheme. It is suggested that these smaller firms be allowed to deduct from their tax liability a credit related to the amount of any new investment in buildings, machinery or other industrial equipment.

The present exemption of reserves up to 10% of annual profits which, within two years, are devoted to expansion of the enterprises would seem to be extremely difficult to administer satisfactorily; proper administration would call for careful supervision to assure compliance. This provision could well be eliminated. The law might provide, however, that if deduction of accelerated depreciation after an investment has actually been made produces an accounting loss, the loss might be carried back against income of the two preceeding years. The present law allows losses to be carried forward against income for five years but does not provide for a carry-back of losses.

652 *Credit facilities*. Our principal objections against the scheme of gov-
433 ernment-guaranteed industrial credits can be summarized as follows: (1) It applies only to corporations, thus excluding the large majority of Syrian industrial enterprises, which are not organized in this form, and in effect reserving its benefits to a small group of large companies, although there is no reason to assume that all credit needs outside this group can be met by other means. (2) The limitation of the life of the guaranteed loans to three years (later extended to eight) does not sufficiently allow for adapting the maturity of these loans to the requirements of the projects. As an instrument to facilitate long-term industrial financing the provision may in some cases be too rigid. (3) The 3% interest rate, appreciably below the prevailing market rate, puts the beneficiaries in an exceptionally favorable competitive position as again non-beneficiaries, and may stimu-

late projects less sound than those which must be financed on a truly competitive basis.

In the Main Report we have set forth the more fundamental objections which point to the desirability of completely abandoning this device rather than merely amending the law. In summary, they are: (1) the inability of a government agency to determine technical and economic soundness of proposed new projects; (2) the inflationary character of the scheme; and (3) the need for an independent institution to provide capital and technical assistance.

Most of the obvious or "natural" industries have been established. What is needed henceforth is (1) expansion of a more selective character, and (2) improvement in the efficiency or a lowering of the production costs in existing industries. There are possibilities for new ventures but they require careful investigation before being initiated. There is accordingly a need for an institution which through its own technical staff or through foreign consulting technicians can investigate such possible new enterprises either on its own initiative or upon request. There are still a number of enterprises, primarily small- or medium-sized, which lag behind in efficiency. It is important that there be a general reduction of costs and prices in order to increase the market at home and abroad. The less efficient enterprises often lack the resources to hire competent engineers and technicians on a permanent basis and they may suffer from deficiencies in machinery and equipment or management. An institution equipped to give or obtain technical advice on the problems of these enterprises could play a useful role. Its technicians might well be able to improve efficiency considerably by analyzing plant layout and working methods, by making time and cost studies and by examining the needs for improved machinery and equipment.

Considering the need of additional facilities to assist the financing of certain investments in agriculture and in modern hotels as well, the mission has recommended in the Main Report the establishment of a predominantly privately owned and independently managed investment bank for industry, agriculture and hotels and for providing technical assistance, primarily to industrial enterprises.

The capitalization of the bank should: (a) bear some relation to the investment possibilities of the institution; (b) permit operations on a scale enabling the earning of sufficient profits; and (c) not exceed the

652 total which reasonable expectations indicate can be raised. In the Main
433 Report we have suggested capitalization of £S 30 million, and suggested the respective ratio of government and private capital.

The cost of necessary managerial and technical staff might run up to £S 300,000 per year and other costs might rise to the same figure with an increase in the volume of business. Possibly half of the cost of the technical staff might in the long run be recouped from fees for technical services. To economize on operating costs it would be advisable to have the commercial banks act as the bank's agents in receiving applications for loans and disbursing and servicing loans in return for a small commission.

656 *Tariff policy and embargoes.* It is far from clear that the trend toward
439 almost complete protection of industry from the impact of foreign com-
651 petition, qualified to only a limited extent by certain provisions of various commercial agreements, has reached its limits.

We have previously recommended reconsideration of this policy. Protection of many industries has gone too far in the direction of national isolation; the balance should be restored by giving more weight to international integration. Liberalization of external trade should be one of the items on Syria's economic program.

In making this suggestion the mission is mindful of the fact that Syria's balance of payments position is not very strong and that the condition of the country's gold and foreign exchange reserves obliges the government to proceed with caution. Yet, as long as internal monetary equilibrium is preserved and the foreign exchange policy remains sound, the significance of these limitations ought not to be exaggerated.

We do not recommend immediate termination of the system of licensing imports since it enables the authorities to register at an early date the expected inflow of foreign goods. This may be considered a legitimate precaution, especially if the restriction of licenses is reserved to times when the balance of payments position is endangered. Under licensing, however, discrimination among imports is unavoidable. It should be realized that the need for such a measure indicates that there is something fundamentally wrong with the factors which determine external equilibrium; rather than continuously applying the palliative of direct import restrictions, Syria should try to remedy this situation. Even if direct import restrictions are temporarily unavoidable, they should not preclude remedial action; on the contrary, they should as far as possible contribute to bringing about an improvement in the basic conditions.

industrial protection through measures affecting foreign trade would be 656
largely the responsibility of the Minister of Finance. We therefore suggest 651
some procedure to assure that the Minister of National Economy also has 439
some responsibility in this connection insofar as the interests under his jurisdiction are involved. It would also seem desirable that the Council of Ministers continue to exercise its ultimate control over measures of this character so that possible conflicting considerations may be resolved in terms of the public interest in its broadest sense.

Export promotion. The priority given by the Syrian government to 654
attaining national self-sufficiency with regard to industrial products which 439
can be locally manufactured has been combined with a growing effort 433
to open up additional markets for Syrian industry, particularly in the other Near Eastern countries. Syria's execution of several bilateral trade agreements and participation in the inter-Arab economic agreement aiming at liberalizing mutual trade exchange are undoubtedly steps in the right direction. The possibilities for further industrial export promotion, however, are not being fully exploited.

First, the mission recommends that Syrian export industries be given every possible assistance in the procurement of foreign raw and auxiliary materials without fiscal charges, specifically that they be given a full rebate of such charges commensurate with actual exports, and that the system of rebates be so administered that the rebate can be quickly and easily obtained.

Secondly, it is recommended that the policy of negotiating bilateral trade agreements with Syria's main commercial partners be systematically pursued. The considerable increase in recent years in exports of silk and artificial silk cloth, knitwear and other articles of clothing and soap, particularly to the markets of Jordan and Iraq, indicates that there are industrial export possibilities worth while consolidating and expanding.

Thirdly, it is suggested that Syria which, so far as is known, lacks natural oil deposits, has an even greater interest than its oil-producing neighbors in the creation, on a multilateral basis, of a market among the countries of the Arab League; the amount of purchasing power generated by these other countries would contribute far more to the joint total than would Syria's contribution. It therefore seems to be particularly in Syria's interest to promote further inter-Arab economic integration. If this could be achieved, conditions would also become more favorable for the reestablishment of the economic union with Lebanon.

v INDUSTRIAL DEVELOPMENT PROSPECTS

The Need for Further Industrialization

433 464 It is generally agreed—and the mission shares this opinion—that with a more rational distribution and better cultivation of the available land, and particularly with a gradual extension of the irrigated area, Syrian agriculture could for a considerable time to come easily absorb the expected natural population increase. With respect to the need for further industrialization, however, the relevant considerations seem rather to be the territorial and occupational distribution of the population and the evolution of this pattern. The principal question is whether—and if so, to what degree and in which direction—Syrian industry needs further expansion to absorb the present and immediately foreseeable effective labor supply.

464 369 166 Although reliable figures are not available there is no clear evidence that Syria is suffering from chronic unemployment. There are, however, some very overpopulated rural areas with considerable underemployment and there is a continuous flow of labor from the villages to the urban centers. During the postwar period of considerable building activity and rapid industrialization, these markets were able to absorb the increased labor supply. But at times, as for instance in 1948 in Aleppo, the urban workers have become alarmed by the influx of villagers competing with them and aggravating already existing unemployment, particularly in the textile industry. There were demonstrations and a request to the local authorities to bar villagers from applying for town employment; this in turn induced the government to encourage certain village industries—the decline of which is again contributing to urban labor pressure.

This illustrates the tensions which are bound to arise as a consequence of the existing imbalance between rural-urban social and economic conditions. Unless the village standard of living is greatly improved, there is little doubt that the trend toward the towns will continue strong and that the numbers seeking employment in industry will greatly exceed the natural increase in the industrial population. This tendency may even become more pronounced when, as is to be anticipated, illiteracy in the villages declines, transport and communications improve and the rural population becomes more aware of its poverty and social insecurity.

The recommendations of the mission with regard to agriculture and 464
animal husbandry, including those concerning land tenure and irrigation, 166
would, if accepted, open significant new perspectives to the farmer and 369
farm laborers and tend to check the drift from rural areas. If it were possible to spend more on irrigation than has been recommended, the trend could perhaps be reversed. It is not likely, however, that the growing labor supply can be absorbed and unemployment avoided without further industrialization. Even on the highly optimistic assumption that migration towards the towns can be halted, Syria must contend with such factors as the natural increase in the industrial labor population and the gradual shift from handicraft to mechanization with the consequent release of manpower.

Although estimates in this field are particularly hazardous, the mission 464
suggests that under the most favorable circumstances Syria will have to 433
create at least 20,000-25,000 new industrial jobs during the next six years to keep its industrial labor market in reasonable balance.

Limiting Factors

It is often contended in Syrian official and business circles that shortage 454
of local capital rather than lack of confidence is the principal factor limit- 433
ing further industrialization. Assuming that this is so, it would follow [470]
that to advance development Syria should make a strenuous effort to create attractive conditions for foreign capital as a supplementary source of industrial financing. This conclusion does not seem to be generally acknowledged. At least the nationalization of foreign-owned public utilities without settling the matter of indemnification of their proprietors, and the regulations with respect to foreign companies working in Syria, do not indicate its acceptance.

There is, however, room for some doubt whether scarcity of capital should be considered as a major factor limiting development of Syrian industry. During the past eight years, investments in industry have supplied the country with an industrial capacity capable of meeting most of the need for manufactured articles, based on local primary production, which the population can afford; indeed, as already pointed out, in several branches of industry there is excess capacity. Generally speaking, Syrian industry appears to have attracted substantial amounts of capital. Even taking into account the fact that the sources of industrial investment

434 433 capital were enriched by accumulated war profits and repatriated capital, it seems likely that under generally favorable economic conditions and with improvement in the mechanism for mobilizing industrial capital, the supply of such capital will be adequate for a reasonable expansion.

The amount of capital required should not be overestimated. Some branches of industry are overequipped and could employ considerably more workers before reaching full capacity. In others, where there is a better balance between equipment and output, internal savings can probably go a long way toward furnishing the necessary capital for improvement and extension of the existing plant. For the near future, with perhaps one or two exceptions, the mission does not see promising prospects for new large industries requiring heavy investment. The best possibilities for expansion may rather be found in the field of light industries which can start on a relatively modest scale. It is for these industries that the proposed investment bank should be particularly useful.

433 The factors limiting further industrial expansion which the mission considers to be of real significance are: (1) Syria's natural resources; (2) the absorptive capacity of the Syrian market; (3) the competitive strength of Syrian industry as a supplier of more and a broader range of manufactured goods both at home and on accessible foreign markets; and (4) the government's contribution to creation of stronger incentives and better possibilities of enlarging foreign outlets.

1. Syria's natural resources are mainly agricultural. Investigations of possible mineral and oil resources have produced unsatisfactory or negative results. Syria has no natural advantages with regard to power and transportation facilities. The country has not achieved a reputation for high quality production except of some limited luxury goods. Some of these limiting factors, particularly the inadequacy of power and transportation and the human qualifications, can certainly be overcome but only by considerable investment in so-called national overhead, the rate of which is limited by the increase of the national income and the share of this income which can be devoted to industrial investment.

2. Syrian industry depends to a very large extent, sometimes exclusively, on the home market. Given the size of the population and the fact that for the bulk of industrial goods imports have already been replaced by local manufactures, the possibilities for expansion of industrial production depend largely on progress made outside the industrial field in raising the volume of purchasing power of the largest number of people. The relative

14:International Bank S-5(1954)1955 I.iD1 Syria MD1

importance of the contributions of industry and agriculture to the national income is such that under existing conditions the rate of industrial expansion cannot exceed by very much the rise in income from the land. Allowance should be made for a gradual substitution of industrial products for home-made goods and handicraft manufactures, but this would not increase total purchasing power unless the manpower so released can be made more productive. Income from other sources may also rise, as for instance from construction, foreign trade, transit and tourism, but these are not of such significance as fundamentally to alter the stated relationship between the prospects for industry and for agriculture. This emphasizes the point that at this stage the primary development effort in Syria should be made in the agricultural field, and that industry will automatically benefit thereby through an increase of internal purchasing power.

3. A third limiting factor is efficiency of production and distribution, i.e., its ability to offer its products to the ultimate consumer at prices within the purchasing power of a majority of the population. This applies to existing as well as to possible new industries.

In this connection it is very important that Syrian industry be enabled to procure its raw materials at international prices, that the costs of transportation and storage be reduced, that power facilities be improved, and that the system of commercial credit be better organized both for producers and consumers. Without intending to minimize any of these factors, however, the mission is convinced that primary attention should be directed to reducing production costs by increasing the productivity of both labor and capital and destroying any undue economic power exercised by commercial middlemen in the distribution process.

As has been pointed out, in many industries labor productivity could be increased considerably by better technical education and training, better working conditions and stronger incentives, and by improved capital equipment, with installation and utilization raised to higher standards of efficiency. This would also immediately tend to lower production costs and allow a reduction of factory prices. In the field of distribution, particularly in the villages, the wholesome effect of free competition on consumer prices is often lost because of the poverty and ignorance of the consumers on the one hand and various price-increasing practices of merchants and moneylenders on the other. The institution of buying co-operatives might be helpful; as they are difficult to manage, it is suggested that some carefully controlled experiments be made prior to any attempt

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to spread them widely. It also would be worth while to explore the question whether more direct selling by manufacturers to the ultimate consumer might be instrumental in reducing excessive distribution costs, at least with regard to certain articles.

In considering the establishment of new industries, besides modern technological requirements and the limitations of the Syrian market, cost factors in production as well as distribution should be carefully investigated. Ventures requiring relatively high initial outlays which can become profitable only if the volume of production is large will have to be scrutinized with extreme caution. Since it will require a major effort to keep direct costs on a competitive level, there will probably be no margin out of which to service unduly high investment costs and certainly none if the volume of sales keeps production below normal capacity.

As regards possible outlets in foreign markets, one determining factor is the accessibility of such markets; the other is competitive strength. Although there are exceptions, for instance when the foreign market is actually closed or transportation costs are prohibitive, the second factor is the more important and, in the case of Syrian industry, it is of the utmost significance. For the products of Syria's luxury industries with their rather unique character, competition is not a threat, but with regard to so-called international goods Syria has strong rivals, particularly in Western Europe, the United States and Japan, and at least for the near future it is almost inconceivable that Syrian industry would be able to meet their competition in any foreign market, even in the immediately adjoining countries, unless it is given a preferential position there. Among the countries of the Middle East, North Africa and South Asia, on the other hand, Syria could develop considerable competitive strength by increasing its industrial efficiency. In planning for expansion of existing industries as well as for entering new lines of production, Syrian industrialists should give due consideration to these markets and try to achieve standards of quality and cost which permit their taking advantage of any opportunity.

4. The fourth limiting factor is government policy. We have already pointed out that this policy in recent years has been to make Syria independent of imports of those industrial goods which can be locally manufactured and to increase the exchange of agrarian and industrial products with neighboring countries. These two objectives are not readily reconcilable. Before industrial maturity is achieved it may be justifiable to stress the necessity of first building up the capacity and experience of the local

market, and therefore to go rather far in restricting imports. But eventu- 433 ally, unless this policy is qualified industrial development is bound to slow down. Then new impetus will come only from a shift in emphasis to the second principle and a corresponding revision in government policies. Syrian industry has reached this stage and we have therefore recommended that the policy of protection be modified.

The trend toward integration of the Arab markets, already referred to, has achieved a more liberal exchange of agrarian than of industrial products. This may be explained by the fact that throughout the Middle East the governments are sponsoring local industrial development along rather parallel lines and each in varying degrees wishes to reserve its local markets for its young industries. On the other hand, none has a sufficiently large population or purchasing power to enable it to develop a fully diversified economy of its own. It seems to be in the interest of all that their development should proceed along lines suited to the specific resources of the various countries. Regular consultations between the authorities promoting industrial development in this area would therefore be desirable.

New Industries and Some Promising Lines of Expansion

The mission has not considered it to be its task to make an extensive survey of specific industrialization projects which might be successfully undertaken in Syria in the near future. We have already pointed out there are still branches of industry in which the establishment of additional plants, either by way of expansion of existing factories or construction of new ones, would be feasible.

Since the 1947 Gibb report on Syria, conditions have changed greatly. 433
In the cotton textile industry, the disparity between the spinning and 288
weaving capacity which existed 10 years ago has largely been overcome, although it exists with regard to rayon yarn. Woven and knitted rayon fabric has taken the place of much cotton and woolen fabric in the Middle East and it is probable that this development will continue. In recent years Syria's imports of rayon yarn and rayon fabric have become significant. Yet, particularly with regard to rayon yarn it would seem ill advised to try to substitute local products for imports which now are duty free, by imposing high protective tariffs. On the other hand, further diversification of the textile and apparel industry may be promising. The increasing volume of exports of knitted goods and other articles of clothing clearly

433 indicates that in this field Syria has become a competitor in foreign markets.
288 In dyeing, printing and finishing there seems to be need for additional modern plant. It also seems desirable to investigate the possibility of profitable production of jute fabric sacks. Imports of these sacks have rapidly increased in the last few years, reaching a total of nearly 10,000 tons with a value of £S 6 million in 1953. The need for jute sacks would be lessened if bulk transportation and storage facilities were available but even in that event an increase in general agricultural production might make the establishment of a factory for sack production from imported jute fiber or yarn an economic possibility.

433 Further expansion of the cement industry may well be required. In
339 fact, the government has authorized a new plant for Aleppo which may be transferred to the Jezireh to serve the growing requirement of northeastern Syria. A cement plant for the Homs-Hama region is also under consideration.

433 In the footwear industry modern factory production has been intro-
295 duced only with regard to rubber boots and shoes. An experiment with factory production of leather shoes in Aleppo some years ago met with such opposition from the handicraft trade that it was abandoned. Nevertheless this branch of industry may be one in which the application of modern production methods would be appropriate and generally beneficial.

433 It seems useful to investigate the economic prospects of paper and
218 paperboard manufacture. In 1953 about 8,000 tons of paper with a value of nearly £S 5 million were imported. This total comprises a large variety of different types of paper but some are imported in such quantity as to suggest the feasibility of specialized production. Straw is plentiful as raw material and in a relatively short period more poplar wood could become available if farmers and village communities gave increased attention to tree planting.

433 The production of metal from scrap and the gradual development of
402 an engineering industry may also be contemplated. The manufacture of simple pumps and engines as well as spare parts is already being carried out by many small shops but the quality of the output suffers from inadequate technical supervision. An adequately equipped and staffed plant might be able to undertake the production of these items as well as the improved types of agricultural implements to be developed for use on farms.

In the manufacture of plastic materials and domestic utensils factory #33 production has made a beginning. This also seems to be a promising field for further development.

The possibility of the establishment of a plant for mixing fertilizers and making insecticides from imported ingredients should also be explored.

In the Main Report the mission has pointed out that the erection of an oil refinery in the Homs area seems to be entirely justified.

Prospects for Village Industries

#33 369

With development of agricultural and rural community organization, better water and electricity supply in small towns and villages, wider general and vocational education and easier and cheaper transportation, the conditions under which village industries have prospered will undergo a change, not necessarily for the better. Traditional consumption patterns will be modified, techniques will change, factory-made manufactures will enter the village markets and compete with handicraft products and transportation costs will provide less protection. On the other hand, the density of the population and its purchasing power will increase and in certain regions tourist trade may develop. Village industries may find a better market for agricultural and animal products processed into foodstuffs, for the manufacturing and repairing of simple tools and implements used domestically or in the field, for the production of furniture and other articles for house and farm, ornaments, clothing accessories, costume jewelry and other goods of indigenous design.

We do not recommend that efforts be made to check historical trends by assisting village industries which will inevitably decline and ultimately disappear. Yet it seems very probable that a rather significant part of Syrian industrial enterprise carried on in rural communities will for a long time to come survive and be a determining factor in the economic, social and cultural conditions of many small towns and villages. That part certainly deserves more attention than it has generally received. An improvement of standards of quality and efficiency, commercial and financial techniques and social and sanitary conditions of these establishments would undoubtedly contribute to raising living standards in the rural areas.

It is therefore suggested that the community leaders, recommended elsewhere in this report, with the assistance of specialists representing the

433 369 Ministry of National Economy, carefully investigate the conditions and opportunities which exist in this field. Industrial extension, assistance in the organization of credit cooperatives, particularly with a view to giving protection from usurious middlemen practices, in the marketing of products which might find wider outlets, and eventually in founding tourist attractions could be considered. Even if only limited results can be achieved by such measures they should be encouraged as a means of creating better rural conditions and at the same time reducing the pressure of labor migration toward the crowded towns.

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Lebanon ME1
Syria MD1

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L of clinics and in the cities a shortage of qualified staff to under-
164 take massage, radiotherapy, and orthopædics, and there is
744 special need to combat tuberculosis. Syrians and Lebanese are
278 not addicted to hashish which, however, is grown in the Biqaa
and smuggled to Egypt. The Lebanese Government periodically
burns many of the plantations, which inflates the price of the
surviving crop.

S

ECONOMIC SURVEY

L More than half the population of the two countries is engaged
433 in agriculture which is the most important economic activity.
Natural resources hardly exist; there is bitumen in Jebel Bishri in Syria but its production would not be economic; about 10,000 tons a year of asphalt is produced from the neighbourhood of Latakia; and salt is extracted in commercial quantities near Aleppo.

S

Petroleum

L For a number of years, associates of IPC searched for oil in
315 Syria and Lebanon but without finding it in commercial
382 quantities; in consequence, the areas held by these IPC associates have been given up. However, the two Governments are still anxious for further efforts to be made to find oil in commercial quantities. The importance of petroleum in the economy of Syria and Lebanon lies in the situation of the two republics athwart the pipelines from the fields of northern Iraq and Saudi Arabia which have outlets on the Mediterranean.[1] From Iraq a 12-inch and 16-inch line carry oil across Syria by way of Palmyra and Homs to Tripoli in the Lebanon. Together, these two lines can carry about 8 million tons of oil a year (160,000 barrels daily). A third IPC line from Kirkuk to Homs then bears north of the other two and reaches the sea at Banias, and so does not run through Lebanon at all. This new line is 26–30–32-inches in diameter and can deliver oil at about 16 million tons a year (320,000 barrels daily). From the fields of Saudi Arabia a 30–31 inch American pipeline (Tapline) travels over 1,000 miles on its way to Sidon in Lebanon, passing through Jordan and Syria. At present the line is pumping at a rate of about 15 million tons a year (300,000 barrels daily). It should be noted that these four lines all carry crude oil, some of which is refined on the Mediterranean shore for local requirements but the bulk is shipped as crude to the
S refineries of Europe and elsewhere.

L The line from Kirkuk to Haifa is not operating and the Haiaf

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382 [1] See Appendix IV, p. 570 below.

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cultivated area. Holdings of 25–250 acres are estimated to take 423
up 33 per cent of the area and holdings over 250 acres 29 per cent. State land is estimated to represent 23 per cent of the total cultivated area. Decrees for the distribution of state lands were issued in 1952: their implementation, at the time of writing, is still under review. Legislation to prevent the subdivision of plots by succession inheritances is also under consideration; at present a four-acre plot may have thirty-seven owners, and its management is profitable only to lawyers.

The approximate acreage and crop and yield of the main 241
products are shown in the following table. 433

MAIN CROPS

	Area (000 hectares)			*Production* (000 metric tons)			*Yield* (100 kg. per ha.)	
	1950	*1951*	*1952*	*1950*	*1951*	*1952*	*1950*	*1951*
Cotton (lint)	78	217	142	35	49	49	4·6	2·3
Wheat	992	1,037	900*	830	510	850*	8·4	4·9
Barley	416	344	400*	322	155	350*	7·7	4·5
Vegetables	68	66	..	47	40	142	..	..
Tobacco†	10	11	..	9	9	..	8·7	..
Rice (paddy)	7	..	..	24	6	6	19·3‡	..

.. = not available.

* The Banque de Syrie et du Liban (*Excercice 1952*) quotes the following figures for 1952 (in thousands):

Wheat: area = 1,180, production = 805.
Barley: area = 396, production = 467.

† Including Lebanon (annual production about 2,000–3,000 tons). ‡ 1949.

(Sources: FAO, *Yearbook of Food and Agricultural Statistics, 1952* and *Monthly Bulletins of Statistics*, 1953; vegetable figures from Banque de Syrie et du Liban, *Exercice 1952*, Paris, 1953.)

Wheat is the traditional staple crop of Syria and in a normal 248
year a quarter of a million tons can be exported. But the poor 439
harvest of 1951 necessitated wheat imports of about 50,000 241
tons. The 1952 wheat crop, however, once more increased to
over 800,000 tons. Barley is also grown and exported and, 433
though the acreage has diminished somewhat since 1949, the crop is adequate.

In 1950 fortunes were made from cotton which fetched a high 248
price for the abundant harvest. The acreage sown to cotton 433
trebled between 1949 and 1950 and again in 1951. But while in 1950 the cotton yield was high, the 1951 harvest proved disappointing because of drought and attacks of the boll weevil. Despite a fall in cotton acreage in 1952—due chiefly to the downward trend in cotton prices—that year's output was maintained at the 1951 level, thanks largely to better methods

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248 of cultivation. Syrian cotton is a 'Lone Star' medium-staple
433 variety and is of better quality than is needed for some locally-made clothes, which accounts for the fact that Syria both exports and imports cotton. There is still a long way to go before the country's cotton cultivation is as efficient as in Egypt or the Sudan, but cotton has become Syria's most important export commodity and the cotton acreage increased by no less than 800 per cent between 1945 and 1951, compared with an increase of 60 per cent and 70 per cent in Egypt and the Sudan.

241 Both 1951 and 1952 were bad years for olives; in the north,
433 thousands of trees have been blighted by frost. Syria produces good fruit, especially in the oasis of Damascus, and peaches, apples, figs, plums, pears, grapes, apricots, and pistachio nuts are all grown. The most prolific vegetable crops are lentils, beans, and peas. The area under rice has been reduced by drainage schemes and Syria does not grow enough for her own needs. The famous tobacco of Latakia is grown under a monopoly which has recently been transferred from the concessionary company to the state. Silk and hemp are also cultivated and a start has been made in growing beet for the Homs sugar refinery.

231 Nearly 3 million sheep are estimated to graze in Syria with
439 goats numbering over a million. Over 7,000 tons a year of
coarse wool are exported, including about 2,000 tons a year
234 suitable for rug-making. Cattle are of two types and, in 1950, numbered about 429,000.[1] Yoghurt and cheese and milk are consumed within the country. It is estimated that there are still over 72,000 camels in Syria and they are an important part of nomad economy. The Syrian horse and mule are still bred but in declining numbers.

185 The forests of Syria, as of the Mediterranean in general, are a survival from a period of greater rainfall coeval with the last glacial period of northern Europe. The woodcutter and the goat, war and erosion have taken their toll and trees are no longer an important part of Syrian wealth. An effort at re-afforestation is being made, and there is also a project to produce reeds for paper-making on the banks of the Euphrates.

Industry and Commerce[2]

377 In 1951 the output of electric energy was over 86 million kilowatt hours used mostly in Aleppo and Damascus. New

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[1] *Statistical Abstract of Syria, 1951–2* (Damascus, 1952).

[2] For further details, see UN, Dept. of Economic Affairs, *Review of Economic Conditions in the Middle East, 1951–2*.

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generators and new hydro-electric schemes are planned to 377
increase the output. The Belgian company operating the tram-
ways and electricity in Damascus and the French electricity
company of Aleppo were nationalized in 1951. Consumption 433
of industrial fuel oils has increased greatly since the war and
the continuance of this increase shows that Syrian industry is
still growing. Under the French Mandate, Syria did not
attempt to produce goods for export, but since 1945 some
Syrian financiers have tried to build up industries depending
for success on overseas sales that have not, however, material-
ized. Industries based on local needs are likely to be the most
successful because the cost of materials and labour are too high
for Syria to sell competitively finished goods for which she has
to import the raw materials.

The textile industry is the most important, despite a setback 433
in 1950 and 1951 when faced with foreign competition; the 288
industry is well managed and well equipped and employs
20,000 people in Aleppo and Damascus. In 1950 there were
about 65,000 spindles for cotton in these two cities, as well as
12,000 handlooms and 3,600 power looms, with an output of
5,000 tons of yarn and 21 million metres of fabric.[1] Silk is
woven on hand looms (about 60,000 metres of cloth), but there
are mechanical looms for rayon (about 27 million metres) and
nylon knitting-machines. Large dye-houses and many small
establishments in Damascus and Homs serve the local textile
industry. Production of woollen cloth rose to about 542,000
metres in 1948, since when it has declined, although it meets
all local needs.

In Homs a Syrian firm has a group of modern plants includ- 433
ing a sugar refinery (output 10,000 tons in 1951), an alcohol dis-
tillery (363 tons in 1951), and an oil extraction plant. But the
refinery depends on imported raw sugar and only protection
and a high retail price maintain it, nor is it yet certain that the
Homs sugar will compete in price with imported refined sugar
even if local beet production, which is being expanded, is used
for refining. The cement factory near Damascus was extended
in 1951 and now produces about 60,000 tons a year, and a
new plant in Aleppo is on the way to producing 70,000 tons
a year. There are many oil and soap factories of which the
biggest, in Aleppo, can produce thirty tons a day. About
20,000 tons of asphalt, 1,449 million cigarettes, and 69,000
tons of tobacco are also produced near Latakia. Near Damascus

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[1] Many of the statistics in this section have been obtained from UN, Dept. of Economic Affairs, *Review of Economic Conditions in the Middle East, 1951–2* and other recent UN Surveys of the Middle East.

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433 is a modern glass factory for window and mirror glass and for glass containers, with a total estimated annual capacity of over 14,000 tons. This enterprise has suffered from the fact that the sand has to be imported and also from being built before the necessary export market had been secured to keep its three ovens working. Flour mills are plentiful and more are to be constructed; the production of flour is about 400,000 tons a year. In Damascus there are two spaghetti factories and starch is also produced. Tinned fruit, jam, chocolates, and sweets are also produced in Damascus and there are factories for matches (output 45 million boxes in 1952), margarine, soft drinks, and shoes as well as a number of tanneries and workshops in Aleppo and Damascus. A paper mill has recently begun production, with an output of 4 million square metres of corrugated paper and cardboard boxes in 1952.

SYRIAN INDUSTRIAL CAPACITY
(Estimates for 1952)

Number of Factories	*Tons Capacity*
2 Cement	200,000
1 Sugar	10,000
1 Asphalt	variable
9 Edible oil*	12,000
68 Raw cotton ginning	600,000
3 Food preserving (major)	5,000
1 Glass (plate and rolled)	7,500
(containers)	8,000
3 Tobacco	2,000

* Olive and cotton seed.

(SOURCE: *Statistical Abstract of Syria, 1951–2*, Damascus 1952.)

Industry contributes only about a half as much as agriculture [186] to Syria's gross national product, but the spirit of nationalism has led the Government to give special support to local industries although not all are economically sound. As Syria lacks industrial raw materials, industries based on local agricultural produce should be encouraged rather than those which depend on imported raw materials and foreign markets.

Finance

436, 648 The Syrian pound of 100 piastres (reputedly backed as to 60 per cent by gold and foreign currency) is linked to the French franc. Syria is a member of the International Monetary Fund and of the International Bank for Reconstruction and Develop-
435 ment, with a quota of $6½ million. War-time inflation subsided
439 by the end of 1948, but with the Korean boom in primary product prices and the subsequent export surpluses and heavy

3eRoyal Institute of International Affairs U-4 (no date)1954 M1 Middle East

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MAIN CROPS

	Area (000 hectares)		*Production* (000 metric tons)		*Yields* (100 kg. per ha.)
	1951	*1952*	*1951*	*1952*	*1950*
Wheat	61	70	43	50	7·5
Barley	15	20	14	27	11·8
Cotton	5	2	1	..	..
Tobacco	..	..	3	2	..
Citrus fruit	..	..	75	90	..
Grapes	21	..	80	..	..

.. = not available.

(Sources: Banque de Syrie et du Liban, *Exercise 1952* (Paris 1953); except figures for yields, cotton production, and area and production of grapes, all of which have been taken from FAO, *Yearbook of Food and Agricultural Statistics*, 1952.)

312 There is enough water for land to be used more intensively
241 than in Syria but there is not enough room to grow all that the
439 country needs. Improved methods have increased the yield of cereals per acre, but Lebanon will always have to import wheat. The crop of grapes is nearly double the weight of the wheat harvest and Lebanon exports grapes, wine, and the best quality araq. The citrus exports are high but the growers have not yet established the same name for quality as have the Israelis. Melons, water-melons, apples, onions, and potatoes are also important crops and vegetables are exported as far as the oil towns of Kuwait and Dahran. Cotton and tobacco are also grown in small quantities.

423 The land is more evenly parcelled out amongst the people in
369 Lebanon than in Syria but, despite the fact that there are many small holdings, there is a general shift from country to town, and Beirut and its immediate neighbourhood hold nearly half of the population. In the coastal regions of intensive cultivation small holdings predominate, while in the plain regions large estates worked by share-croppers are the most prevalent form of land tenure. Some estates owned by rich men are farmed under modern methods and equipment and there is less room for improvement or for expansion in agriculture than in Syria.

Industry

433 Relative to its size, Lebanon is one of the most industrialized countries in the Middle East area. It is probable that nearly 50,000 persons are so employed, of whom over half are factory workers. However, Lebanese industry has only partly recovered from the loss of the Syrian market and some industries had either to move to Syria or to curtail production. The biggest industries are electricity, which produced 130 million kwh. in 1951, and the Cheka cement factory south of Tripoli, which produced 303,000 tons of cement in 1951. Cotton weaving and

29:Dunn S-4 (1952)1952 MI Middle East
Syria MD1

316 mined since 1914, and sodium chloride and bitumen deposits also are being worked. There is an abundance of good calcareous building stone and basalt.[29]

433 The most important industries produce flour, olive oil, soap, tanned hides, tobacco products, glass, alcohol, glucose, and textiles. New factories recently constructed include two cottonseed oil mills, two cotton spinning and weaving mills, porcelain and glass factories, and a beet sugar mill. Textiles is the most important single industry from the standpoint of employment and value of production.

315 Unlike many of the other countries in the Middle East, Syria has no oil in commercial quantities. A number of wells have been drilled, but without notable success. A pipeline from Iraq and the Persian Gulf crosses Syria to the Mediterranean, and a new line is being completed to Baniyas on the coast from Iraq. The pipelines provide a source of employment, but they do not produce a large amount of revenue for the government.

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Table 22

SYRIA: Specified Imports as Per Cent of Total Imports
March 12 through December 31, 1950
Value

Item	1950
	Per Cent
Textile Materials	29.1
Combustible Minerals	18.2
Electric Machinery and Apparatus	10.7
Common Metals	8.8
Precious Stones and Metals	5.9
Animals and Products	5.7
Others	21.6
Total	100.0
Total Value Converted to Millions of Dollars	90

SOURCE: United States Department of Commerce.

Table 23

SYRIA: Imports from Specified Sources as Per Cent of Total Imports
1951
Value

Source	1951
	Per Cent
United States	18.2
United Kingdom	12.9
France	10.4
Lebanon	10.3
Italy	7.0
Germany	5.5
Others	35.9
Total	100.0
Total Value Converted to Millions of Dollars	138

SOURCE: United States Department of Commerce.

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[29] *Development of Food and Agricultural Resources in the Near East*, Food and Agriculture Organization of the United Nations, 1951, p. 92.

29:Dunn S-4 (1952)1952 MI Middle East
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United States mission estimated that 50 per cent of the land was in fallow 311
during 1948.[31] Increased irrigation and high prices for agricultural com- 241
modities have reduced significantly the fallow in the past few years, and the percentage may be less now.

PRODUCTION

Syria is normally self-sufficient in most foods. In fact, the country 433
exports fresh and dried fruits, lentils and other legumes, tobacco, wool, butter, hides, and meat. Occasional poor harvests make it necessary to import food grains.

The greatest deficiency is in rice, which has been displaced by cotton in recent years to such an extent that almost all of the country's requirements must be imported. Last year's bad cotton crop may prompt farmers to revert to rice and, if so, this will reduce the deficiency.

Government figures indicate that production of food has not kept pace 433
with the expansion in population and that the per capita food supply and
individual calorie intake are both declining.[32] These conclusions are based on 146
highly conjectural statistics and are in conflict with opinions of the United States Agricultural Attache and Syrian officials who are intimately acquainted with the country's agricultural problems. These observers believe there has been no real decline in food consumption, except possibly for short periods of time. Certainly there is no shortage now, and the bumper cereal crop in 1952 should enable the country to fill domestic needs and export at least 30 per cent of its wheat and possibly 50 per cent of its barley.

The daily diet consists largely of starches, it is true, but this is due more 262
to habit than anything else. The resources of the country are ample to permit a much more balanced diet.

PRODUCTIVITY

Syrian agriculture often is characterized by the low productivity of the 461
agricultural worker. It is obvious that a great many more people are used on 241
each acre of land than is necessary. The low agricultural income is reflected 511
in the obvious poverty of the people. Yet, comparisons with other countries, and even detailed calculations, are of questionable value due to the unreliability of the statistics.

Government reports on average yields also are open to question. Official 241
figures show that wheat yields have dropped sharply, while cotton yields have tended upward, except for the extremely bad year in 1951-52. They also show very wide fluctuation. Experienced observers point out that the yields are especially questionable because both acreage and production figures are not reliable. On the basis of conversations with producers in various sections, it is apparent that yields are normally fairly high and that they fluctuate, depending on water availability and on insect devastation.

POTENTIALITIES

A number of missions which have studied the possibilities of agricultural development in Syria, especially in the last five or six years, all mention the

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[31] *Activities of FAO, 1948-52*, Food and Agriculture Organization of the United Nations. 1952, p. 58.

[32] *Development of Food and Agricultural Resources in the Near East*, Food and Agriculture Organization of the United Nations, Rome, November, 1951.

59: Allen et al S-3 (1952-53) 1953 M2 Middle East M1
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70. The Mission as will be seen, formed a favourable impression of those whom it saw at Rashabeyeh. It was regrettable to learn that not only was the extension of the work hampered by lack of funds but that some local difficulties had arisen which suggested that there might still be some distrust of disinterested outside help in quarters that could not plead ignorance as an excuse. We had not the opportunity of pursuing inquiries to enable us to satisfy ourselves whether, if foreign direction and support were withdrawn, the work undertaken by the Foundation would collapse or become self-supporting; a point which had first been suggested to us in talks in Lebanon (see paragraph 10). We were, however, satisfied that if the venture were to collapse, it would not be due to any lack of a spirit of service or enthusiasm on [illegible]

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71. The country is under-populated and the population is so scattered as to make it difficult to provide the usual facilities through community centres. It should be added that there are large tracts of empty but arable land; so that if, as a result of efficient health services, the expectation of life increases and infant mortality decreases, there is no danger of lack of food.

72. Recommendations: In the light of the present cautious attitude of the Syrian Government towards the receipt of technical assistance from external sources, we recommend that the initiative should be left with the Government to seek United Nations aid for the furtherance of any scheme of community organizations for which it may be directly or indirectly responsible.

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III. FINDINGS AND RECOMMENDATIONS

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73. The "Middle East" is a convenient but misleading description which may be applie to a group of Arab-speaking countries, not all of which were included in our itinerary. Those which we were privileged to visit have many features in common, in spite of differences in characteristics and ways of life and varying stages and patterns of development. The Islamic faith prevails over the greater part of the area, though in some countries there are important non-Moslem minorities. Each country is the inheritor of an ancient culture; each has subscribed to the United Nations Charter, with its emphasis on improved standards of living as a contributing factor to the peace of the world; each is predominantly agricultural; each, in a newfound independence and under conditions of political instability, is reforming it land laws; and each has proclaimed the welfare of the people as a dominating purpose of Government policy.

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74. In progress in community development in this group of countries little uniformity is to be observed. In Egypt, where the establishment of rural social centres became the official policy in 1939, after successful pioneering experiments conducted by the Egyptian Association for Social Studies, a stage has now been reache at which the whole scheme is under review, with the object of increasing its scope a efficiency. A reorganization involving decentralization and more inter-departmental co-ordination was in progress as we left Egypt.

75. We have found that Egypt is, compared with other Arab countries, well advanced as regards rural social centres since the population, or at least a part of it, understands the value of self-help. These social centres have to be expanded, both as regards numbers and the use made of each one of them. They do not require costly special buildings; provided that attention is paid to cleanliness, the work can be carried out in suitably equipped village houses, always assuming that the staff has the right spirit. To ensure a continuous standard of efficiency, regular supervisio

63:Simmons et al G-5 (1941-1951) 1954
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The infant mortality is not known, but 165
local observers believe that it is at least 250
per 1,000 live births. In many rural villages
the mortality among children under 5 years
of age probably reaches 40 to 50 per cent.
Discrepancies in reporting are exaggerated
by the fact that certification of birth is not
required for infants dying during the first
year of life. The official infant mortality
rate for 1948 was 47.6 per 1,000 births for
the country, but 75 per 1,000 births in the
city of Damascus. Among almost 15,500
deaths registered in 1949, over 21 per cent
were of infants under 1 year and about 35
per cent of children under 5 years of age.

SOCIAL ECONOMY

Agriculture is the basis of Syria's economy. 433
Over two thirds of the people are 241
dependent upon the land, and, in consideration
of the paucity of other natural resources,
its full utilization is a problem of
primary concern to the welfare of the country.
Except in limited portions of the northwestern 132
and the northeastern provinces, the 241
rainfall is deficient and erratic, and the
expansion of agriculture is contingent upon
the development of irrigation and more efficient
methods of production. Estimates of 311
the amount of cultivable land range from 241
10 to 21 million acres—from less than one
quarter to almost one half of the total land
area. A similar disparity is noted between
the figures quoted for the acreage now
under cultivation, but all sources agree that
less than one half of the potentially arable
lands are planted in crops. Most observers 311
believe that the land suitable for agriculture
approximates 12 to 14 million acres,
while the area under cultivation is between
5 and 6 million acres. Roughly 10 to 20 per
cent of the tilled land is irrigated at present,
but it has been shown that the farm acreage
could be more than doubled by increased
irrigation, associated with controlled settlement,
in the Orontes, the Khabour and the
Euphrates river valleys.

Foremost among the factors which impede 421
the promotion and the modernization

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874 conducts an experimental farm, and cooperates with the government in a comprehensive educational program.

439 Syria produces a variety of items for export, the principal products being cereals, textiles, vegetables, cotton and wool and
135 hides. It is relatively poor in mineral resources, although rich deposits of asphalt exist in the Nusairiyeh range and salt basins in Aleppo, Homs and Damascus provinces.
471 Explorations for oil have been made in the northeast under a concession acquired in 1940 by the Syrian Petroleum Company, an affiliate of the Iraq Petroleum group.
315 After several years of unsuccessful borings,
651 the concession was relinquished, but the country derives some income from pipelines which traverse it, leading from the oil fields in Iraq and Saudi Arabia to Syrian and
433 Lebanese ports. Industrial development is slowly emerging from the handicraft stage, and numerous modern plants for the processing of local materials have been established, primarily in Damascus and Aleppo. They include the manufacture of textiles, soaps and oils, cigarettes, various food products, shoes, cement and other consumer goods. The promotion of industry is handicapped, however, by the shortage of raw materials, labor and cheap sources of power.

441 The cities and the towns of western Syria are linked with each other and with the adjoining territories by a system of motor roads. Communications in the interior are poor, and consist in many areas of tracks
505 across the desert. There are no navigable rivers. Latakia, the chief port, is small, and steamer traffic with the Mediterranean countries is at present conducted largely through Beirut and Tripoli, in Lebanon. The construction of modern port facilities at Latakia is scheduled, however, for 1953.
315 Banias has been developed as the terminal
505 of the new pipeline from the Kirkuk oil fields of the Iraq Petroleum Company to the Mediterranean. It was completed in
496 1952. Aleppo is connected by railways with both Beirut and Tripoli, and is an important junction on the trunk line from Istan-

67: United Nations S-5 (1945-1954) 1955 Ml Middle East
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Chapter 7

SYRIA

Developments to the End of the Second World War

Until the end of the nineteenth century, the Syrian economy rested on agriculture, handicrafts and commerce. Then, as now, most of the land was planted to wheat and barley, whose yield was low, owing to the primitive methods employed and the inadequacy of the rainfall, but whose output usually left a small export surplus. Cultivation of fruits and tobacco was more intensive, and an appreciable amount was exported. Syrian handicrafts, such as cotton, silk and wool weaving, leather tanning and soap making, enjoyed a high reputation and supplied the Egyptian, Anatolian, Mesopotamian, North Arabian and Palestinian markets, as well as most of Syria and Lebanon. Commerce was a leading activity, Syria being the distributing centre for most of Arab Asia as well as southern Anatolia. [1] 433

In the course of the late nineteenth and early twentieth centuries some important changes took place. Owing to greater security, the margin of cultivation shifted eastwards and the sown area expanded. Handicrafts, on the other hand, began to decline owing to the competition of foreign machine-made goods. This decline was, however, more than offset by the rapid growth of commerce, which was stimulated by the building of railways and ports by foreign capital.

The First World War was a period of intense disorganization. Mobilization reduced manpower in agriculture, and the handicrafts and commerce were paralysed by the loss of supplies and markets. In the post-war years, the handicrafts declined rapidly, owing to a shift in taste to foreign goods, a general decline in purchasing power and intensified competition of foreign goods, against which the tariff gave little protection. Commerce was crippled by the breakup of the Ottoman Empire into several States with different tariffs, currencies and economic policies. Agriculture was handicapped by the very unsettled conditions prevailing until 1927, after which it was affected by the world depression; at the outbreak of the Second World War the area planted to cereals was not appreciably greater than it had been before the First World War.

Nevertheless, in this period, part of the groundwork of future progress was laid. Communications were improved by the construction of a good network of roads and by the building or enlarging of ports. Some irrigation schemes were carried out. Property rights in land were settled over a large area, thus removing a major obstacle to development. 433 653

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[1] The French High Commission's report, La Syrie et le Liban en 1922, stated that until the First World War "Syria lived on its trade; it has lived almost exclusively on it; it has lived on it for many centuries" (quoted in S.B. Himadeh (editor), The Economic Organization of Syria (Beirut, 1936) page 119).

453 651 The banking system was developed, but this improvement was partly offset by the shocks caused by successive devaluations of the franc, to which the Syrian pound was linked on an exchange standard. Slight reforms were introduced in the fiscal system, and steps were taken to protect industry. Until 1924, the Ottoman tariff of 11 per cent on almost all goods had remained in force. In 1924, a distinction was made between members of the League of Nations and the United States, goods from which were subjected to the "normal" tariff of 15 per cent, and other countries, 1/ which paid the "maximum" of 30 per cent; industrial machinery was exempted from customs duties. In 1926, the normal rate was raised to 25 per cent and the maximum to 50 per cent. In 1928, duties on raw materials and fuels were reduced. In the nineteen thirties, the general level of the tariff was lowered, but protection to Syrian industry was increased. As a result, several modern factories were established, and there was also some modernization of the handicrafts, by the installation of improved tools and power driven machinery. 2/

433 [311] During the Second World War the large-scale expenditure of Allied troops raised incomes and prices, 3/ thus stimulating agricultural and industrial production, and the reduction of imports also aided local production. Owing to some mechanization, and to the fact that cultivation of marginal land became profitable, the area sown to major field crops increased by about 40 per cent between 1938 and 1945. This extension of acreage was, in some years, offset by a decline in yields, but the grain crop at the end of the war was distinctly greater than before the war. Industry expanded considerably, and communications were improved. The forced saving, due to inflation and the shift to profits, took the form of franc and sterling balances held by Syrian individuals and institutions.

1/ Owing to special arrangements, trade between Syria, Lebanon, Palestine and Transjordan was exempt from duties on either side.

2/ Both the decline in handicrafts and the rise of modern industry are reflected in the following figures, covering Syria and Lebanon, presented by the Mandatory Government to the League of Nations in 1937: in 1913, there were 310,000 handicraft workers; by 1937, the number had declined to 171,000, most of whom were in Syria; on the other hand, there were 33,000 workers in "modern industries", of whom a little over 40 per cent were in Syria and the rest in Lebanon.

3/ From 1940 to 1944 inclusive, Allied expenditure in Lebanon and Syria totalled £76 million (sterling). In 1939 to 1945, inclusive, Lebanon and Syria had a surplus of 607 million Lebanese-Syrian pounds on current account. The index number of retail prices of twenty-two essential commodities in Damascus rose from 100 in 1938 to 831 in 1945.

Post-War Period, 1945 to 1954

Agriculture

During the post-war period both agricultural and industrial output increased 433
rapidly, and although population growth was fairly large there seems little doubt 511
that per capita output rose significantly. 1/ Similarly, although data are very
scanty, there is evidence of an increase in consumption and an improvement in the
standard of living. 2/

In agriculture, the increase in output was achieved by extending the acreage 241
of cereals and greatly expanding that of cotton; there was also some improvement 311
in methods of cultivation, especially in cotton. The total cultivated area increased
from 2,314,000 hectares in 1946/47 to 3,668,000 in 1952/53. 3/ the irrigated area
increased more rapidly, from 237,000 hectares 4/ to 400,000 hectares. 5/ The
proportion of fallow land seems to have remained unchanged, at one-third of the
total. It may therefore be taken that the crop area increased by about 60 per cent.

The increase in the irrigated area was achieved partly by the irrigation 312
projects discussed below, partly by installation by farmers of pumps drawing on river
or underground water. In 1953, there were 7,500 pumps, of which 40 per cent were 241
for river water and 60 per cent for underground water. The extension of rainfed
crops was achieved mainly by mechanization. In 1953 there were 1,200 tractors,
compared with 860 in 1951 and about 300 in 1948; 1,307 tractor ploughs, compared

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1/ National income is estimated to have risen from 1,250 million Syrian pounds in 1950 to £1,410 million in 1953; during that period, the index of wholesale prices of raw materials in Damascus (1949 = 100) fell from 111 to 110. See Sami Wafa el Dajani, "al dakhl al Qaumi fi Suria", *Al Abhath*, (Beirut, December 1953); Ministry of Agriculture, *A Report on the Development of Agricultural Production and Marketing in Syria*, and Ministry of National Economy, *Statistical Abstract of Syria, 1953* (Damascus, 1954). A breakdown for 1950 shows that 44 per cent of the total was contributed by agriculture and animal husbandry, 13 per cent by commerce, 10 per cent by industry, 9 per cent by transport and communications, 7 per cent by government services, 5 per cent by rents and 11 per cent by other activities (Dajani, *op.cit.*).

2/ Per capita annual consumption of cotton, woollen and rayon fibres is estimated to have risen from 4.2 kilogrammes in 1951 to 4.6 kilogrammes in 1952 and 5.1 in 1953; the figure for Lebanon and Syria combined had previously risen from 3.9 kilogrammes in 1948 to 4.8 kilogrammes in 1950 (Food and Agriculture Organization, *Monthly Bulletin of Agricultural Economics and Statistics*, Rome, January 1955). Output of tobacco products increased from an average of 1,638 tons in 1945-47 to 2,075 tons in 1950, 2,448 in 1952 and 2,659 in 1953.

3/ Bureau des documentations Syriennes et Arabes, *La Syrie économique, 1953* (Damascus, 1954), mimeographed.

4/ Sir Alexander Gibb, *Economic Development of Syria* (London, 1947).

5/ Of these, some 250,000 hectares were irrigated by flow and 150,000 hectares by pumps.

241 with 1,032 in 1952; and 547 tractor planters, compared with 471. 1/ There were
also, in 1952, 361 combines, 133 threshers and 108 harvesters. 2/

243 As table 50 shows, most of the increase in acreage was in cereals. Wheat and
barley yields continued to fluctuate violently, according to the amount of rainfall
242 and weather conditions, but have showed no marked trend and, save in exceptional
years such as 1949, have been well below a ton per hectare. Apart from
mechanization, little has been done to improve methods of cultivation, apply
fertilisers or use improved seed except in El Jezira, where high-yielding improved
433 seeds and fertilisers are sometimes used. Hence, in the post-war period, output
of grains has increased in the same proportion as acreage, or only slightly more.
241 The expansion in cotton acreage, though smaller in absolute terms, was
proportionately much greater; 3/ the acreage rose to 25,000 hectares in 1949 and
78,000 in 1950; the high prices prevailing in that year and the great profits
made by cotton planters sent acreage up to 217,000 hectares, partly at the expense
of wheat cultivation. The sharp decline in yields in 1951 and the steep fall in
price in 1951 and 1952 caused heavy losses and led to a decline in acreage.
Improved cotton prices and greater experience in cultivation once more caused an
expansion in 1954.

241 The experience of the past four years has served to point out the potentialities and limitations of cotton cultivation in Syria. During the 1950-51 boom, cotton cultivation spread to most parts of the country, but subsequent events have shown that it is unsuited to many of them. In the Hauran, inadequate moisture has caused farmers to revert to wheat, barley and leguminous crops; in the Latakia region, soil and climate have also proved unfavourable. In the Damascus region, cotton cultivation has been practically discontinued. In the Aleppo region, as a result of the excessive costs of pump irrigation, cultivation is mainly confined to rain-grown cotton. 4/ In many parts of El Jezira, rice has replaced cotton owing to the shortage of labour. At present, cotton is localized chiefly in the Hama and Salamiye districts in central Syria, in the Hassetche district in El Jezira and in the province of Aleppo. About two-thirds of the total area is irrigated. Yields are about twice as high on irrigated as on rain-fed land, and the Syrian average, having almost doubled since the pre-war period, is one of the highest in the world. 5/

1/ Ministry of Finance, Budget Note, 1955 (Damascus, 1955).

2/ Figures obtained from Ministry of National Economy.

3/ Large-scale cultivation of cotton began in 1924, increased rapidly until 1931 and after a sharp fall during the depression reached its pre-war peak of 40,000 hectares in 1936. In this period, American type cotton replaced native varieties. During the Second World War, acreage once more declined, owing to the shift to grains.

4/ Bureau des documentations syriennes et Arabes, Etude spéciale sur le coton syrien (Damascus, 25 November 1952, mimeographed).

5/ Yields per hectare rose from 221 kilogrammes in 1951 to 243 in 1952, 363 in 1953 and 389 in 1954.

67: United Nations S-5 (1945-1954) 1955 MI Middle East

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Table 50. Syria: Area and Production of Principal Crops, 1934-38, 1945, 1950 and 1952 to 1954

Crop	1934-38	1945	1950	1952	1953	1954
Area (thousands of hectares):						
Wheat	473	750	952	1,167	1,314	1,334
Barley	275	348	416	357	438	544
Olives[a]	6[b]	9	9	9	10	...
Grapes	42	56	68	68	70	...
Cotton	32	18	78	189	128	187
Rice	1	7	7	3	5	10
Vegetables	...	...	15[c]	21[d]	22[e]	...
Industrial crops[f]	...	...	12[c]	15[d]	15[e]	...
Production (thousands of metric tons):						
Wheat	459	415	830	900	870	800
Barley	290	248	322	467	472	561
Olives[g]	5	17	4	7	11	...
Grapes	170	169	245	167	243	...
Cotton	6	4	36	45	47	73
Rice	3	15	24	5	16	25

Source: Food and Agriculture Organization, Yearbook of Food and Agricultural Statistics (Rome); Ministry of National Economy, Statistical Abstract of Syria (Damascus, 1953); Ministry of Finance, Budget Note, 1955.

a/ Millions of trees.

b/ Average of 1937-38.

c/ 1950/51.

d/ 1951/52.

e/ 1952/53

f/ Excluding cotton.

g/ Thousands of metric tons of olive oil.

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472 241 433 The extension of cereal and cotton cultivation has been carried out by private enterprise. Most of the initial capital was provided by landlords, but merchants and banks soon started financing the crops; in 1951 it was estimated that some £S 200 million to £S 300 million had been required to finance the planting and moving of the cotton crop, of which all but £S 50 million came from outside agriculture. In recent years, the volume of advances granted and bills discounted by the principal banks rose by about £S 50 million between the seasonal low of July or August and the peak of the cotton season, in November. But the bulk of the capital needs are still supplied by non-banking sources. Private initiative also set up the 31 saw gins and 1,767 smaller gins which were operating in 1952 and which can handle about 300,000 tons of unginned cotton. It has been responsible for the introduction of the various types of American cotton seeds, of which the most widely used is the Lone Star variety, which produces cotton very similar to Egyptian Ashmuni. Private enterprise also took the lead in utilizing chemical fertilizers, imports of which increased from a negligible amount in 1950 to 5,000 tons in 1952, 11,000 in 1953 and 13,000 tons in the first nine months of 1954.

Another field in which private initiative has taken the lead is that of beet growing. The sugar refining company extended advances to growers, supplied them with free seeds and instruction, sold them fertilizers and offered them high prices for their output. By 1953, as a result, 4,500 hectares had been planted to beets, giving a crop of 60,000 tons; 1/ a crop of 80,000 tons was anticipated for 1954. 2/

654 241 The Government has rendered valuable assistance to agriculture, especially to cotton growers. Following the very poor crop of 1951, when over-extension and pests combined to reduce cotton yields sharply, a Cotton Office was established in January 1952. On its staff it had Egyptian experts recruited directly by the Government or sent by the Food and Agriculture Organization of the United Nations. Several decree laws of 1952 fixed cotton acreage and subjected its cultivation to Government authorization; they limited the number of authorized varieties to six and forbade the mixing of varieties; regulated ginning, in order to disinfect, select and classify seeds; made obligatory the spraying of cotton plants with pesticides, which in case of negligence is to be carried out by the Government at the farmer's expense; set minimum standards and established grades for the classification of cotton. 3/ In 1953, the Government forbade the use of seeds not

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1/ Average yield of irrigated land is two to three tons per hectare, and of non-irrigated, 0.5 to 0.75.

2/ Information supplied by Ministry of National Economy. Output of fruits and vegetables has also increased in recent years, but little progress has been made in livestock breeding. An estimate of agricultural income in 1953 put the value of the wheat crop at £S 305 million (a figure based on an estimated production of 1,355,000 tons against a final estimate of 870,000 tons); of barley at £S 7 million; of cotton at £S 121 million; and of other crops at £S 200 million, giving a total of £S 633 million. Livestock and livestock products were put at £S 240 million (*La Syrie économique, 1953*).

3/ *Etude spéciale sur le coton syrien.*

purchased from the Agricultural Bank. There is no doubt that those measures have 654
helped to raise cotton yields and quality. 241

Some help has also been given to growers of cereals, by the importing and sale at half price of seed wheat from France and Italy; 1,300 tons were imported in 1953. The Government has set up five experiment stations, for fruits, cereals and cotton, has expanded agricultural education and has begun extension work among farmers.

The Government has also helped growers financially, by purchasing spraying equipment and pesticides, reselling them to farmers and advancing loans for the purchase of pesticides. The capital of the Agricultural Bank was raised from £S 5.8 million in 1940 to £S 7.2 million in 1945, and £S 21.6 million in 1953. Loans advanced by it increased from £S 268,000 in 1940 to £S 1.6 million in 1945, and £S 12.5 million in 1953. In 1953, the number of borrowers was 20,300 and the recovery rate was 93 per cent. The bank also made loans in kind - cotton and rice seeds, spraying equipment, pesticides, tractors, ploughs and pumps. 1/

On the other hand, some government measures concerning marketing and exports 656
have had adverse effects on growers. The Cereals Office's attempt to collect grain for the use of the urban population, at below market prices during the winter of 1951/52, following a very poor crop, led to hoarding, and wheat had to be imported at high prices. In 1952, the Government ordered growers to deliver to the Cereals Office one ton of wheat, at £S 230, for every two tons exported; this led to a rise in the export price to above the world level, hampering exports. In 1953, this arrangement was replaced by a lower export tax on wheat and barley. It would appear that these taxes were borne by growers, not by merchants or foreign consumers, and hence that they constituted a subsidy from rural areas to the towns. With the fall in world prices of wheat, the Government abolished the taxes in May 1954. Similarly, it would seem as though the tax on cotton exports introduced in 1952 has been shifted to growers.

Industry

The rapid post-war industrial growth was chiefly due to private initiative 433
but much government protection and some financial assistance were required by
several industries. Most of the new capital was provided by merchants, but there 472
was also an appreciable amount of reinvestment of industrial profits.

1/ Statistical Abstract and La Syrie économique, 1953. In 1953, the bank was authorized to make loans against warehouse receipts issued by the Cereals Office for barley and wheat delivered to it. A rate of 6 per cent is charged on these and all other loans.

433 No over-all figures on the increase of capital, output or employment are
available, but the following data are indicative. Between 1945 and 1953,
472 inclusive, a total of £S 70.7 million was invested in thirty-seven industrial
joint-stock companies; of this £S 53.1 million was invested in 1945 and 1946. 1/
454 A considerable amount was also invested in unincorporated enterprises. Sales
of electricity to industry increased from 15 million kilowatt-hours in 1947 to
28 million in 1951, 36 million in 1953 and 19 million during the first half of
1954. Imports of industrial machinery and equipment amounted to 9,100 tons in
1950, 19,500 in 1951, 10,800 in 1952 and 12,000 tons in 1953, with an aggregate
value of £S 200 million. 2/ Table 51 shows available information on the principal
Syrian industries.

433 The textile industry is by far the most important, as regards capital
invested, employment and value of output. The rapid expansion of cotton growing
288 led to an increase in the number of cotton ginneries, from thirty in 1945 to 110
in 1953. Cotton spinning began in 1933; by 1939 there were 10,000 spindles and by
1954 some 92,000 with a capacity of 12,000 tons of cotton and rayon yarn. Output
of cotton yarn rose from 1,700 tons in 1944 to 5,500 in 1950 and 6,600 tons in
1953; that of rayon yarn from 800 in 1950 to 1,200 in 1953; there was a further
increase in 1954. Small factories also produce 40 tons of woollen yarn and 16
tons of silk yarn. Mechanical looms increased from 1,500 in 1939 to 5,500 in
1953; there are also 6,000 hand looms. Output of cloth, knitted goods and
hosiery is shown in table 51. Dyeing and printing are done in well equipped
factories established after the Second World War. The textile industry meets
local requirements in most branches and provides an export surplus.

433 Food processing industries form the next most important group. A large-scale
sugar refinery started production in 1950, on imported raw sugar; its output rose
258 to 30,000 tons in 1953, of which 23,000 were from imported raw sugar and 7,000
from locally grown beets; output in 1954 was about 38,000 tons. It also
produces 1,000 tons of alcohol and some starch glucose as a by-product. The
refinery, which fully meets Syria's demand, has not yet reached its full capacity.
The vegetable oil industry produces, by means of modern presses established after
the war as well as older hand presses, some 7,000 to 12,000 tons of olive oil,
about 6,000 to 8,000 tons of cotton-seed oil and some 2,000 to 4,000 tons of other
oils. Other important food and beverage industries include the making of biscuits
655 and macaroni, oleomargarine, confectionery and chocolates, and also brewing and
canning. The tobacco industry is a State monopoly. 3/

1/ Of the total, £S 23 million was accounted for by six textile companies, 13.4 million by four food processing companies, 10.5 million by three vegetable oil and soap companies, 9.0 million by a cement and building materials company, 8.0 million by a glass and porcelain company, 3.3 million by seventeen electric power companies and 3.5 million by five other companies.

2/ Data from Ministry of National Economy.

3/ The Government took over the tobacco monopoly from a concessionary company in 1951, paying £S 2.5 million as compensation.

Table 51. Syria: Number of Establishments, Capital, Employment and Output in Principal Industries, 1953

Industry or product	Number of establishments	Capital (millions of Syrian pounds)	Number employed	Output (thousands of tons, unless otherwise stated)
Cotton ginning...........	110	15	2,600	48.0
Cotton and silk spinning and weaving............	586 a/	46 a/	7,700 a/	7.8 yarn 16.0 cloth
Wool spinning and weaving................	3	2	100	100.0 b/
Knit goods..............	150	2 c/	1,000	3.0 d/
Hosiery.................	70	5	900	15.0 e/
Vegetable oils...........	407	25	2,800	10.0
Sugar milling and refining...............	1	12	800	30.0
Confectionery............	140	2	800	0.9
Food canning.............	3	4	300	3.0
Macaroni.................	4	1	...	0.5
Biscuits.................	11	1	...	0.5
Tobacco..................	1	2.5 f/	1,900	2.7
Soap.....................	59	10	600	10.0
Tanning..................	75	2	2,700	2.7 4.9 g/
Rubber shoes.............	4	1	300	500.0 h/
Glass....................	13 i/	8	400	5.5
Cement...................	2	15	650	224.0
Matches..................	7	2	300	340.0 j/
Electric power...........	60	...	1,100	114.0 k/
Total	1,706 l/	155.5 m/	24,950 n/	

Source: Ministry of Finance, Al iqtisad al Suri (Damascus, 1953); Etude sur la Syrie économique (Damascus, 1953); Ministry of National Economy.

a/ 1951; excluding 6,000 hand-weaving establishments.
b/ Thousands of metres.
c/ Damascus province only.
d/ Millions of pieces.
e/ Millions of units.
f/ Compensation paid by Government to concessionary company.
g/ Millions of square feet of leather.
h/ Thousands of pairs.
i/ One mechanical factory and twelve hand workshops.
j/ Thousands of gross.
k/ Millions of kilowatt-hours.
l/ Excluding hand-weaving.
m/ Excluding hand-weaving and electricity.
n/ Excluding hand-weaving and making of biscuits and macaroni.

433 339 323 The building industry expanded considerably during the post-war period. Authorized floor space in new buildings in Damascus increased from 56,000 square metres in 1945, to 209,000 in 1950 and 265,000 in 1953. Output of cement rose correspondingly, from 35,000 tons in 1945 to 68,000 in 1950, 224,000 in 1953 and 114,000 tons during the first half of 1954. This fully meets local demand. A glass factory, with a capacity of 10,000 tons, established in the post-war period, reached a maximum production of 5,500 tons in 1954; it exports small amounts to neighbouring countries.

377 471 433 Output of electricity showed little increase during the war, but after the war demand rose rapidly. The inability of the foreign concessionary companies operating in Damascus and Aleppo to expand capacity sufficiently fast led the Government, in 1951, to nationalize them, for compensation, and to instal additional equipment; 1/ in 1954, the Homs-Hama electricity company was also nationalized. Output by public utilities has risen considerably in recent years, from 47 million kilowatt-hours in 1947 to 81 million in 1950, 114 million in 1953 and 80 million in the first eight months of 1954; output by industrial power plants is probably over 40 million kilowatt-hours per annum.

433 Other important industries include tanning, and the making of matches, cardboard, soap, nails, pins and plastics.

433 656 Government assistance to industry has taken four main forms: tariff protection, tax exemption, financial aid and regulation of standards and prices. In the early post-war years foreign competition weighed heavily on the Syrian market. The ending of the customs union with Lebanon in 1950 (see below) led to a decrease in competition in some industries, notably spinning; but other industries, such as weaving and canning, which marketed a substantial proportion of their output in Lebanon, suffered. In recent years, protection has been greatly increased by the raising of customs duties on competing goods 2/ or by prohibiting the importing of such goods: among the prohibited articles were matches, soap, shoes, socks and stockings, glass products, canned fruits and vegetables, wooden furniture and alcoholic drinks. These measures seem to have greatly decreased foreign competition; nevertheless, in recent years, prices of local manufactures have tended to decline. 3/

1/ Between the autumn of 1951 and the end of 1953, a total capacity of 6,450 kilowatts was installed in Damascus (Al Manar, special issue on Syrian industry, Damascus 1954); a total of £S 9.5 million was advanced by the Government to the nationalized firms for expansion and improvements. At the end of 1953, the total capacity of public utilities was 34,000 kilowatts and that of industrial power plants was over 20,000 kilowatts. Two plants with a capacity of 17,000 kilowatts were scheduled for completion at the end of 1954.

2/ For example, in 1952, duties on several types of woollen and cotton goods were raised by 25 to 50 per cent.

3/ The index of wholesale prices of domestic industrial products rose from 93 in 1950 (1949 = 100) to 111 in 1951, but declined to 103 in 1952, 88 in 1953 and 79 in the first nine months of 1954.

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Other measures for the protection and encouragement of industry were taken in September 1952, when new enterprises were exempted from customs duties on machinery and building materials; from property taxes on factory, offices and workers' houses for six years; from income tax on 10 per cent of reinvested profits; and from "tamattu" tax for six years. More direct assistance was provided through loans. In 1949, the Government advanced £S 16.9 million, for a period of three years, to nine industrial companies. In 1952, the loans were extended for another five years, and at the end of 1953 all but £S 220,000 were still outstanding. 1/ Another loan of £S 10 million was advanced to an electricity company. 433 656

As a counterpart to the assistance given by it, the Government has increasingly sought to regulate industrial activity. In 1952, the establishment of new factories, or expansion of existing ones, was made conditional on authorization from the Ministry of Economics, which was to be given only if the project were judged both viable and useful to the country's economy. All existing enterprises were also required to register with the Ministry. In 1953, minimum standards were set in the mechanical weaving, underwear, tile, confectionery, tanning, shoe, hosiery and match industries. The Government also intervened in the cotton spinning industry in 1951 and in the vegetable oil and cement industries in 1953 in order to prevent disproportionate rises in prices.

These various measures have been responsible for the survival of some of the newly established industries. Another important factor has been the rise in consumer purchasing power due to the increase in agricultural income. 2 It is unlikely that Syrian industry will be able to dispense with government assistance in the near future, and its further growth will continue to depend on agricultural development.

Foreign trade and balance of payments

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The outstanding event in the field of foreign trade during the post-war period was the dissolution of the customs union between Lebanon and Syria. Termination of the French Mandate had not loosened the economic ties binding Lebanon and Syria. The customs union between them continued in force. Notes issued by the Banque de Syrie et du Liban circulated freely, at par, in both

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1/ *Etude sur la Syrie économique, 1953.*

2 The poor grain crops and low cotton prices of 1951 had very unfavourable effects on industry.

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Other projects

Industrial development is being left to private enterprise, but since August 1952 the establishment of new factories or expansion of existing ones has been subject to authorization by the Government. Between 7 August 1952 and the end of June 1954, applications were made for establishing 158 new factories and enlarging 332 existing factories; these projects represented an estimated capital investment of £S 66.4 million and the employment of 6,314 workers. Textiles were by far the most important group, with an investment of £S 42.7 million, followed by paper and cardboard with £S 6.5 million and cement £S 5.2 million. 1/

Mention may be made of the most important achievements and projects in the field of transport. Between 1945 and 1952, inclusive, £S 45.4 million were spent on roads and bridges, £S 7.3 million on railways, £S 4.8 million on airports and £S 33 million on installing an automatic telephone system. The total length of roads increased from 6,694 kilometres in 1944 to 10,028 in 1953, while that of asphalted roads increased from 1,498 to 2,584 kilometres. 2/ The number of telephones rose from 5,000 in 1945 to 33,000 in 1954. 3/ The most important project under way is the enlargement of Latakia harbour. Between 1945 and 1952, £S 9 million were spent on minor improvements, and in 1952 a contract for £S 26.8 million was awarded to a Yugoslav firm for the building of a large harbour; completion is scheduled for 1956. 4/ It is estimated that an additional investment of £S 16 million will be required for warehouses, equipment, tugboats and other items. The volume of merchandise through Latakia has greatly increased, from 11,000 tons in 1945 to 837,000 in 1954. Other projects under study include 600 kilometres of roads in El Jezira, at an approximate cost of £S 45 million, a 200-kilometre railway from Aleppo to Latakia, and improvement of the Hejaz railway, in co-operation with the Governments of Jordan and Saudi Arabia.

1/ Ministry of National Economy.

2/ Statistical Abstract of Syria, 1953.

3/ Le Commerce du Levant, 15 August 1954.

4/ The Latakia project is being carried out by a corporation which was established in 1950, 90 per cent of the capital of which was subscribed by the Government. In December 1954 its capital was raised from £S 24 million to £S 54 million (Le Commerce du Levant, 18 December 1954).